



City of Mesa, Arizona

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ending June 30, 2002



CITY OF
MESA
Great People, Quality Service!

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

CITY OF MESA, ARIZONA

for the

FISCAL YEAR ENDED JUNE 30, 2002

KENO HAWKER
MAYOR

DENNIS KAVANAUGH
VICE MAYOR

JANIE THOM
COUNCILMEMBER

REX GRISWOLD
COUNCILMEMBER

CLAUDIA WALTERS
COUNCILMEMBER

KYLE JONES
COUNCILMEMBER

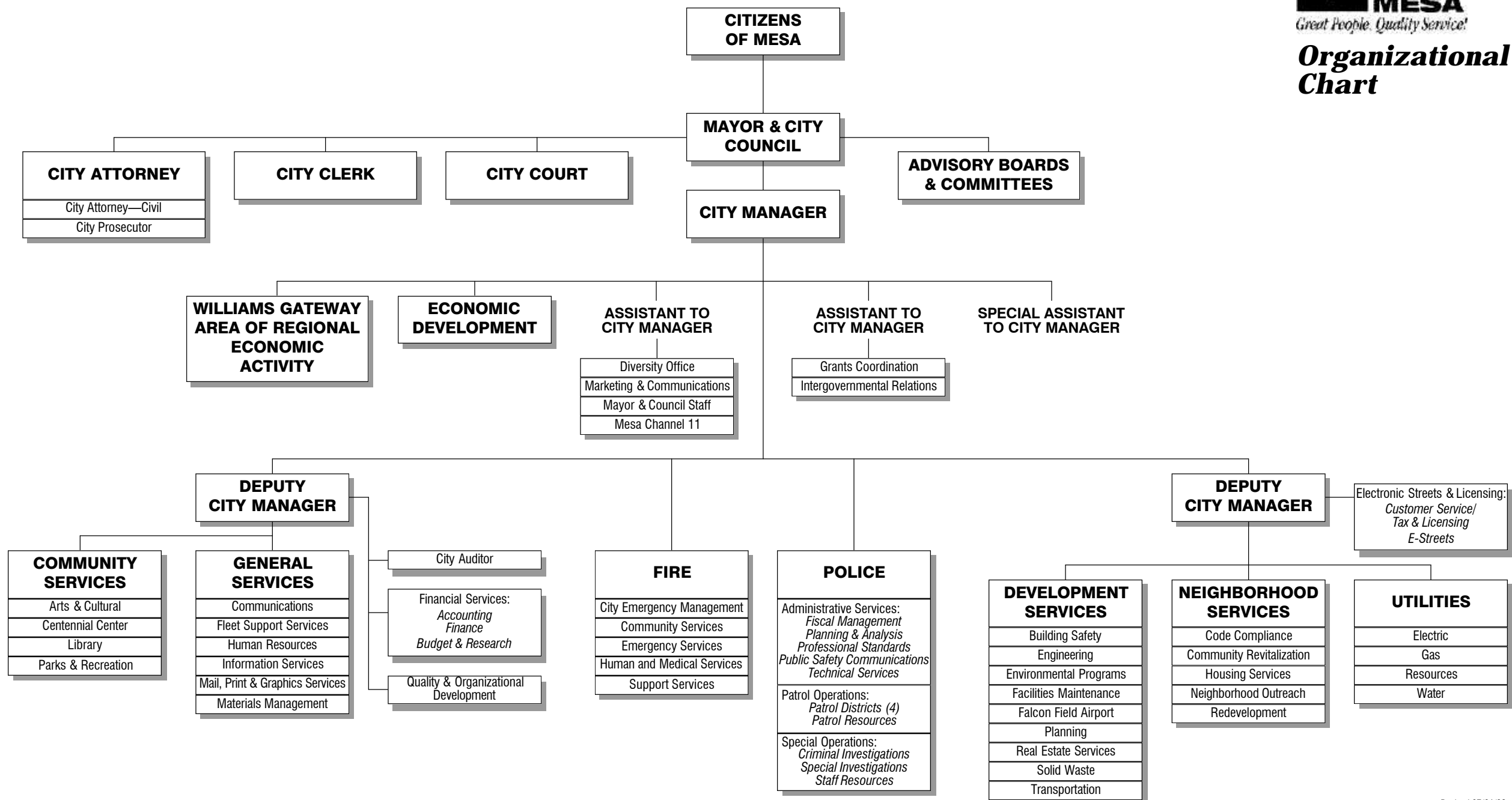
MIKE WHALEN
COUNCILMEMBER

MIKE HUTCHINSON
CITY MANAGER

DEBRA DOLLAR
DEPUTY CITY MANAGER

PAUL WENBERT
DEPUTY CITY MANAGER

Issued by
FINANCIAL SERVICES DIVISION
LARRY L. WOOLF, FINANCIAL SERVICES DIRECTOR





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November 22, 2002

To the Citizens, Honorable Mayor, City Council and City Manager:

The Comprehensive Annual Financial Report of the City of Mesa (the "City") for the fiscal year ended June 30, 2002 is hereby submitted. This report was prepared by the Financial Services Division.

This report consists of management's representations concerning the finances of the City of Mesa. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Deloitte & Touche, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City's for the fiscal year ended June 30, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2002, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

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Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The City was founded in 1878 and incorporated July 15, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population is over 430,000 within an area of approximately 129 square miles. The City operates under a charter form of government with citizens electing a Mayor and six Councilmembers to set policy for the City. In 1998, a voter initiative was approved that changed the way Councilmembers are elected from an at-large to a district system. Six districts were created and in March 2000, the first three district Councilmembers were elected in the spring of 2000. In 2002, the remaining three districts elected their first district Councilmembers. Mesa's Councilmembers serve terms of four years, with three members being elected every two years. The Mayor will continue to be elected at-large every four years. The Mayor and Council are elected on a non-partisan basis, and the Vice Mayor is selected by the City Council.

The City Manager, who has full responsibility for carrying out City Council policies and administering City operations, is appointed by the Mayor and City Council. The City Manager is responsible for the appointment of City department heads with the concurrence of the City Council. Additionally, City employees are hired under merit system procedures as specified in the City Charter. The various functions of City government and operations are undertaken by City employees working within 11 City departments. Functions of City government and operations are provided by a staff of 3,832 full-time equivalent employees.

The City provides a full range of municipal services, including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration; and, the City owns and operates an enterprise whose activities include operations of electric, gas, water, wastewater, solid waste, airport, golf courses and a community center.

The City is the third largest community in the state of Arizona (the "State") and is located 16 miles east of Phoenix, the State Capitol. The following table illustrates the City's growth expressed by population statistics along with the population statistics for Maricopa County, Arizona (the "County") and the State, respectively.

(Continued)

POPULATION STATISTICS

<u>Year</u>	<u>City of Mesa</u>	<u>Maricopa County</u>	<u>State of Arizona</u>
2000 Census	396,375	3,072,149	5,130,632
1990 Census	288,091	2,122,101	3,665,228
1980 Census	152,453	1,509,262	2,718,425
1970 Census	62,853	971,228	1,775,399
1960 Census	33,772	663,150	1,302,161
1950 Census	16,790	331,700	749,587

Along with the population growth, the City has also grown in terms of land area as evidenced by the following table, which illustrates Mesa's square mile statistics.

SQUARE MILE STATISTICS City of Mesa, Arizona

<u>Year</u>	<u>Square Miles</u>
2002	128.82
2000	125.12
1990	122.11
1980	66.31
1970	20.80
1960	13.50
1950	5.72

The Financial Statements include the funds for the City and its blended component unit, the Mesa Municipal Development Corporation, collectively referred to as "the financial reporting entity". Although the corporation is legally separate from the City, it is reported as if it is part of the primary government because its sole purpose is to finance the acquisition and or construction of public facilities for the City.

The annual budget serves as the foundation for the City's financial planning and control. Each year, the City Manager issues a budget calendar giving specific completion dates for various phases of the budget preparation process. The final adoption of the operating budget is by ordinance.

Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the City to

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obtain citizen comments. Prior to June 30, the budget for the ensuing year is legally adopted through passage of an ordinance; these appropriations lapse at the end of each fiscal year. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget in total, and from the resolution itself that limits expenditures by fund and by departmental groupings. Transfers of sums within a specific fund or departmental group may be made upon City manager approval.

The legally adopted budget consists of all funds except Agency, Property and Public Liability, Workers' Compensation, and Employee Benefit Self-Insurance. Capital Projects (both General Government and Proprietary) are budgeted as one item (as shown in Exhibit D-3). General Government debt service expenditures are budgeted in the General Fund and Special Revenue Funds. A Budget is established, however, for management purposes for the Employee Benefit Self-Insurance Fund. Budget schedules for the major governmental funds (General and Highway User Revenue Fund) are presented in the Required Supplementary Section, and the Other Funds are located in the Supplementary Information Section.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The events of September 11th and the economic downturn had an effect on Mesa, which is the 43rd largest city in the United States. The City has a current population of approximately 430,000 residents that represents an increase this past year of over 11,000 citizens and a population increase of 150,000 since 1990. Like the other cities and towns comprising the greater metropolitan Phoenix area, the City has experienced a significant slowdown in economic growth during the past year as measured by employment, new construction and tax revenue.

After 20 years of employment growth, the State of Arizona is expected to show a loss of nearly 21,000 jobs in 2002 based on estimates provided by Arizona's Department of Economic Security. The September 2002 jobless figures show the Mesa unemployment rate at 4.6 percent as compared to the state and the national unemployment rate of 5.7 percent and 5.6 percent, respectively.

Further evidence of the City's slowing economy can be found in the construction and sales tax areas. During fiscal year 2001-02, the City issued 2,936 new residential building permits, a decrease of 1,340 permits issued during the previous fiscal year. The corresponding dollar valuation associated with these permits decreased from \$642 million in fiscal year 2001-02 to \$414 million this past fiscal year.

Revenues subject to City sales tax were practically flat when compared to the previous fiscal year reflecting only a .3 percent increase. Sales tax receipts from construction activity fell by 1.9

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percent during the past year, a significant change from two years ago when taxable sales from construction activity increased by over 21 percent. The secondary assessed valuation of taxable property located within the City totaled \$2.272 billion as of July 1, 2002, an increase of \$129 million over the July 1, 2001 valuation. This represents another economic indication reflecting the sluggish economy in that the previous year's increase in the City's secondary assessed valuation was over \$220 million.

As the City attempts to deal with the current economic situation, it has benefited by having a diversified economic base that is comprised of:

- Large manufacturing employers such as Boeing (Apache helicopter manufacturing facility), TRW Vehicle Safety Systems, Inc. and Talley Defense Systems, Inc.
- Large non-manufacturing employers such as the Banner Health System, AT&T and Phoenix Newspapers publishing company.
- Commercial and retail developments such as Fiesta Mall and Superstition Springs Center, and adjoining retail and commercial developments.
- Residential construction and development averaging over 5,000 new housing permits issued annually within the City over the past five years.
- The hospitality industry oriented primarily to winter tourism activities, such as Cactus League major league baseball spring training.
- Educational institutions and related employment centers including the Mesa Public Schools (consisting of 72 separate school facilities and total enrollment of over 74,000 students), East Valley Institute of Technology (a secondary school facility offering primarily technological curriculum), Mesa Community College (a five-campus junior college with annual enrollment of over 26,000 students), Arizona State University East (total enrollment of over 3,126 students), satellite campuses of various higher education institutions (such as Ottawa University, University of Phoenix and Keller Graduate School of Management) and the newly constructed Arizona School of Health Sciences (offering master of science programs in medical informatics, occupational therapy, physical therapy, physician assistant studies and sports health care to over 500 full-time students).
- Available locations for future economic development within the City, such as Williams Gateway Airport, Falcon Field Airpark and the Red Mountain Freeway Employment Corridor.

The City's Office of Economic Development lends technical assistance to corporations and businesses interested in locating facilities and development projects within the City. Its marketing and technical assistance programs resulted in the creation of approximately 1,100 new

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jobs and total capital investment of approximately \$177.3 million within the City during fiscal year 2001-02.

It is difficult to gauge when Arizona's economy will begin to recover. The latest forecast by the State's Department of Economic Security calls for a modest economic recovery in 2003. The City will continue to monitor its financial condition and review its economic outlook in order to address its resources and needs in regard to maintaining its long-term financial stability.

Major Initiatives

With the downturn in the economy and the decline in interest rates to their lowest level in 30 years, the City has aggressively pursued the refunding of its existing debt to help meet the challenges of providing services to a growing community that is experiencing declining growth in its revenues. During fiscal year 2001-02, the City completed two refundings which provided savings in future debt service payments of approximately \$4.7 million. In addition, the City Council approved in September of 2002, the issuance and sale of three more refundings, saving the City an additional \$4.3 million in debt service payments. Overall, the five bond refundings have resulted in debt savings to the City of \$9 million.

In addition to the refundings, the City has taken other action to address the shortfall in revenues that the city is experiencing from the current recession. This includes a modified hiring freeze, a delay or reduction in scope of capital projects and a decrease in travel, training and equipment budgets.

Despite the current economic conditions, the City realized a number of major accomplishments the past fiscal year. Some of these accomplishments were:

- The opening of the Red Mountain Freeway from Country Club Drive to Gilbert Road in January of 2002. The opening of the 3-1/2 mile segment of the Red Mountain Freeway, which provides access on the City's north border, was completed 1-1/2 years earlier than scheduled due to a co-operative effort between the City of Mesa and the Arizona Department of Transportation (ADOT). In October of 2002, the widening of the Superstition Freeway (U.S. 60) was completed, adding three more lanes (two general purpose lanes and a high occupancy lane) in each direction. Mesa participated on the project with ADOT by accelerating the two general-purpose lanes five years ahead of schedule.
- The City's groundbreaking in May of 2002 on the largest capital improvement project in its history. The \$90.8 million Mesa Arts Center is a 200,000 square foot performing and visual arts center located in the heart of downtown Mesa. The facility, which will include four theaters, is expected to open in the Spring of 2005. The project is funded from the City's Quality of Life sales tax that the voters approved in May of 1998.
- The City Council's June 24, 2002 adoption of the Mesa General Plan, a comprehensive plan to provide a vision and guide to future development over the next 25 years. The

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plan, approved by the voters on November 5, 2002, included the following elements to act as a guide for decision making and to address important topics: Land Use, Transportation, Economic Development, Growth Areas, Revitalization & Redevelopment, Housing, Public Facilities and Services, Parks, Recreation and Open Space, Environmental Planning and Conservation, Water Resources, Cost of Development, and Safety.

- The opening of a number of new facilities during the 2001-02 fiscal year by the City's award winning Parks and Recreation Division. These facilities include the Quail Run Park and Sports Complex, a 40-acre park located in North Mesa and boasts of four lighted youth baseball fields and four lighted soccer fields. Countryside Park, a 28-acre park located in South Mesa, featuring ramadas, basketball courts, softball fields, and sand volleyball courts, was opened to the community in February of 2002. Another segment of Mesa's multi-use path was completed during the past fiscal year. The path now provides 2.1 miles of lighted and paved trail that is used by walkers, joggers, in-line skaters and bicyclists. And in order to better serve the community, the Parks and Recreation Division opened an East District office that provides such services as park and ball field use permits, park system brochures, registrations and reservations.
- The City's start of construction on the expansion of its East Mesa Library. The facility will be expanded from its current 17,000 square feet to 52,000 square feet and is funded from a combination of Library Facilities Bonds and Library impact fees.

Long-term Financial Planning

As a result of the economic downturn over the past two years, City departments have been forced to cut as much of their operating budgets as possible without severely impacting service levels. For the next biennial budget, fiscal year 2003-04 and fiscal year 2004-05, the City is forecasting its revenues assuming a modest economic recovery. Based upon revenue restraints, City departments will need to consider service level reductions throughout the organization.

In addition to the biennial budget, the City is in the process of developing a long range forecasting system software that initially will allow the City to develop a seven-year financial forecast for City's revenues and expenditures. City departments will be able to estimate both their operational and capital needs based on historical data as well as utilizing master plans that have been developed for various City programs. The eventual goal will be to establish a forecast system that will go to build out, which is estimated to occur in 2025. The financial forecasting system will allow decision makers to establish both expenditure and revenue goals and create fiscal policies that will be crucial to the financial well-being of the City.

Some other major future goals for the City include:

- Development of the Williams Gateway Area which is comprised of Williams Gateway Airport; the Williams Education, Research and Training Campus; and the surrounding business and properties in Mesa, Gilbert and Queen Creek. This area includes privately

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owned land that could be developed into business that compliments and supports the aviation, employment, education and technology focus.

- Continuing its effort on the Va Shly'ay Akimel project. This project involves a partnership with the Salt River Pima Maricopa Indian Community, the Corps of Engineers and the City. The Va Shly'ay Akimel project is a master development plan that re-establishes an 18-mile section of the Salt River bed into a positive habitat and recreational resource.
- Reviewing the potential use of new sales taxes both regionally and locally to fund local transportation needs, the City has prepared a Transportation Master Plan that identifies both the operational and capital needs for the City's Street and Transit programs over the next 25 years. The plan, which provided for an all inclusive transportation system that included improvements for streets, transit, biking and walking, identified a significant funding shortfall.
- Participation in the Valley Metro Rail Light Rail Transit project. In June of 2002, the City Council agreed to fund (assuming Federal participation) a 1.1 mile section of light rail which extends from the Tempe City limits to the western border of Mesa. This 1.1 mile segment will allow Mesa to be part of an overall 20.3 mile project that will link the cities of Mesa, Tempe and Phoenix and will be an integral part of a comprehensive Valley-wide transit system. The Central Phoenix/East Valley Light Rail Project is scheduled to open in late 2006.

Cash Management Policies and Practices

The principal investment vehicle utilized by the City during the past fiscal year was participation in the Local Government Investment Pool of the Arizona State Treasurer's Office. Other securities in which the City invests includes collateralized certificates of deposit, repurchase agreements, obligations of the U.S. government and its agencies, and obligations of the State of Arizona and its counties, incorporated cities, towns or duly organized school districts.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City, its agent or a financial institution's trust department in the City's name. For further detail on the City's investments as of June 30, 2002, see Note 1.f. to the combined financial statements.

Risk Management

The City has been largely self-insured for many years in the following areas: 1) Property and Public Liability; 2) Worker's Compensation; and 3) Employee Benefits (medical, dental and optical insurance coverage for employees).

(Continued)

The City is self-insured for all public risks up to a maximum of \$2,000,000 per occurrence for the current policy year under the Property and Public Liability Insurance Program. In addition, the City carries full property insurance with a \$50,000 per occurrence deductible. Under the Worker's Compensation Program, the City is subject to a maximum of \$300,000 liability per occurrence. In the Employee Benefit Fund, the City has excess insurance coverage when total claims exceed 125 percent of the contracted projected claims for the policy year. Additionally, individual excess insurance applies when an individual's claim exceeds \$150,000 per contract year. For further details on the City's self-insurance internal service funds, see Note 1.n. to the combined financial statements.

Pension and Other Post-Employment Benefits

All full-time employees of the City are covered by one of three pension plans. The State Retirement System is for the benefit of the employees of the state and certain other governmental jurisdictions. All full-time City employees, except fire and police personnel, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All police and fire personnel participate in the Public Safety Retirement System that is an agent multiple-employer plan. In addition, the Mayor and Councilmembers contribute to the State's Elected Officials plan that is also a multiple-employer cost-sharing pension plan.

The City also provides post-retirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 770 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Accounting principles generally accepted in the United States of America do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City's pension arrangements and post-employment benefits can be found in Notes 3 and 4 in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement For Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2001. This was the twentieth consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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The preparation of the comprehensive annual financial report on a very timely basis was made possible by the efficient and dedicated services of the Controller, Kathy Pace, and her staff. In particular, Doug Yeskey deserves most of the credit for the GASB 34 implementation. I should like to express my appreciation to all members of the staff that contributed to this report's preparation. Also, I want to thank the Mayor, members of the City Council and the City Manager for their interest and support of the staff's efforts in planning and conducting the financial operations of the City.

Respectfully submitted,

Larry L. Woolf
Financial Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mesa,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Pate
President

Jeffrey L. Esser
Executive Director



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor
Members of the City Council
City of Mesa
Mesa, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesa, Arizona (the "City") as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, in fiscal year 2002, the City adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

The management's discussion and analysis and budgetary comparison information on pages 3 through 15 and 78 through 83 are not a required part of the basic financial statements and are supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

November 8, 2002

(November 22, 2002 as to the last paragraphs of Note 15)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Mesa, Arizona (the City), we offer this discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2002. This discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activities, 3) identify changes in the City's financial position, 4) identify any material deviations from the financial plan (the approved annual budget), and 5) identify individual fund issues and concerns.

The management's discussion and analysis should be read in conjunction with the transmittal letter presented on pages V–XIV, as well as the financial statements beginning on page 16 and the accompanying notes to the financial statements.

Financial Highlights

- The City's total net assets increased \$38.1 million in fiscal year 2002. A \$52.4 million increase in the governmental activities and a \$14.3 million decrease in the business-type activities. Total net assets of the City are \$1.419 billion, of which \$255.3 million are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. However, \$149.2 million of the unrestricted net assets are invested in joint ventures.
- The business-type activities charges for services increased by 4.2% over the previous fiscal year.
- As of the end of the fiscal year, the City's governmental funds reported combined ending fund balance of \$135.2 million, the same as the prior fiscal year.
- At the end of the fiscal year, the City's unreserved fund balance for the General Fund was \$24.5 million, or 9.1% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2002, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. This Statement provides the most significant changes in financial reporting for governments in over twenty years. The major changes to the financial reporting model are:

- Government-wide financial reporting – the new model contains financial statements on a government-wide basis, which focus on the City as a whole. Government-wide financial statements do not provide information by fund type or account group, but distinguish between the City's governmental activities and business-type activities.
- New focus for governmental activities – all activities in the government-wide financial statements, including the governmental activities, are reported using the economic resources measurement focus and accrual basis of accounting. The traditional current financial resource and modified accrual basis of accounting are maintained for the governmental fund financial statements.

- Fund financial statements – the new model continues to use governmental, proprietary and fiduciary fund financial statements, but the focus is on major funds within each fund type.
- Infrastructure reporting – the City must report the value of its infrastructure assets (streets, storm drainage systems, street lighting systems, etc.) of governmental activities. These assets are reported in the governmental activities on the government-wide financial statements.
- Budgetary Reporting – the new model requires the comparison of the original adopted and final amended budget to the actual results. The City has historically presented the budgetary comparisons in this manner.
- Required supplementary information – the new model requires a management’s discussion and analysis. This includes an introduction and an analytical overview of the financial statements.

This management discussion and analysis serves as an introduction to the City’s basic financial statements. The City’s basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements (pages 16–18) are designed to provide a broad overview of the City’s finances in a manner similar to private businesses. All the activities of the City, except fiduciary activities, are included in these statements.

The *statement of net assets* presents information on all the City’s assets and liabilities, with the difference between the two being reported as *net assets*. Over time increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net assets changed over the most recent fiscal year. All changes to net assets are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also focuses on both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general revenues for support.

The activities of the City are presented in two columns on these statements – governmental activities and business-type activities. A total column for the City is also provided. The *governmental activities* include the City’s basic services including general government (administration), public safety, cultural-recreational, and community environment. Taxes and general revenues generally support these activities. The *business-type activities* include private sector type activities such as the City-owned electric, gas, water, wastewater and solid waste systems, as well as the City-owned airport, golf courses and community center. These activities are primarily supported by user charges and fees.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the City. Traditional fund financial statements are presented for governmental funds, proprietary funds and fiduciary funds. These fund financial statements now focus on major funds of the City, rather than fund types used in the previous financial reporting model.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements (pages 19-22) focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the City's near-term financing requirements. Since the governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer-term focus, a reconciliation of the differences between the two is provided with the fund financial statements and also in Note 2 (pages 49-54).

Proprietary funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet support; materials and supplies; printing and graphics; overhead pools for utility construction and operations, and the property and public liability; workers' compensation and employee benefit self-insurance programs. Since the primary customers of the internal service funds are the governmental activities, the assets and liabilities of those funds are included in the governmental activities column of the government-wide statement of net assets. The costs of internal service funds are allocated to the various user functions on the government-wide statement of activities. The proprietary fund financial statements (pages 23–28) are prepared on the same long-term focus as the government-wide financial statements. The enterprise funds provide the same information as the government-wide financial statements, only with more detail. The internal service funds are combined into a single column on the proprietary funds statements. Additional detail of the internal service funds can be found in the combining statements (pages 98–103).

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of others outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the City's programs. The fiduciary fund financial statements (pages 29–30) are prepared on the same basis as the government-wide and proprietary fund financial statements.

Notes to the financial statements – The notes to the financial statements (pages 31–77) provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

Other information – Governments have an option of including the budgetary comparisons statements for the General Fund and major special revenue funds as either part of the fund

financial statements within the basic financial statements, or as required supplementary information after the notes to the financial statements. The City has chosen to present these budgetary statements as part of the required supplementary information beginning on page 78.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ended June 30, 2002. The prior year's financial position and results have not been restated in GASB 34 format, therefore complete comparative information is not presented in the MD&A. In future years, complete financial analysis of government-wide data will be presented.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, the combined net assets (governmental activities and business-type activities) exceeded liabilities by \$1.419 billion at the close of the most recent year.

Condensed Statement of Net Assets

	Governmental Activities	Business-type Activities	Total Primary Government
	2002	2002	2002
Cash and Other Assets	\$ 222,961,278	\$ 240,541,342	\$ 463,502,620
Capital Assets	942,472,895	833,767,996	1,776,240,891
Total Assets	1,165,434,173	1,074,309,338	2,239,743,511
Non-current Liabilities, Outstanding	301,506,938	408,155,354	709,662,292
Other Liabilities	63,007,728	48,163,517	111,171,245
Total Liabilities	364,514,666	456,318,871	820,833,537
Net Assets:			
Invested in Capital Assets, Net of Related Debt	624,647,011	406,180,825	1,030,827,836
Restricted	96,006,282	36,822,813	132,829,095
Unrestricted	80,266,214	174,986,829	255,253,043
Total Net Assets	\$ 800,919,507	\$ 617,990,467	\$ 1,418,909,974

The net assets increased \$38.1 million (2.8%) in fiscal year 2002. The governmental activities increased \$52.4 million, a 7% increase, while the business-type activities decreased \$14.3 million, a 2.3% decrease.

The largest portion of net assets (73%) reflects the City's investment in capital assets (land, buildings, equipment, infrastructure, etc.) less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$132.8 million of the City's net assets represent resources that are subject to external restrictions on how they may be used. The unrestricted net assets of \$255.3 million may be used to meet the City's ongoing obligations to citizens and creditors. However, \$149.2 million of the unrestricted net assets are invested in joint ventures.

Changes in Net Assets

The following table shows the revenues and expenses of the City for the fiscal year ended June 30, 2002.

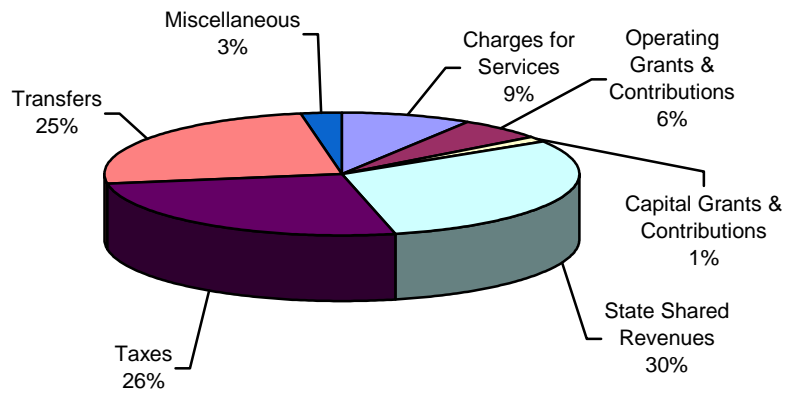
Changes in Net Assets

	Governmental Activities	Business-type Activities	Total Primary Government
	2002	2002	2002
REVENUES			
Program Revenues:			
Charges for Services	\$ 35,026,103	\$ 205,389,382	\$ 240,415,485
Operating Grants & Contributions	23,119,017	28,161	23,147,178
Capital Grants & Contributions	4,817,702	25,071,546	29,889,248
General Revenues:			-
Taxes	102,917,491	-	102,917,491
State-Shared	119,407,930	-	119,407,930
Contributions	5,031,780	-	5,031,780
Investment Income	4,594,757	1,857,942	6,452,699
Miscellaneous	5,903,080	277,039	6,180,119
Total Revenues	300,817,860	232,624,070	533,441,930
EXPENSES			
General Government	41,768,977	-	41,768,977
Public Safety	164,866,979	-	164,866,979
Cultural-Recreational	49,917,805	-	49,917,805
Community Environment	75,331,481	-	75,331,481
Interest on Long-term Debt	13,482,328	-	13,482,328
Electric		21,586,810	21,586,810
Gas		20,215,585	20,215,585
Water		49,031,606	49,031,606
Wastewater		30,394,738	30,394,738
Solid Waste		21,430,944	21,430,944
Airport		2,018,408	2,018,408
Golf Course		2,275,182	2,275,182
Community Center		3,026,657	3,026,657
Total Expenses	345,367,570	149,979,930	495,347,500
Increase (Decrease) in Net Assets Before Transfers	(44,549,710)	82,644,140	38,094,430
Transfers	96,961,247	(96,961,247)	-
Change in Net Assets	52,411,537	(14,317,107)	38,094,430
Net Assets-Beginning	748,507,970	632,307,574	1,380,815,544
Net Assets-Ending	\$ 800,919,507	\$ 617,990,467	\$ 1,418,909,974

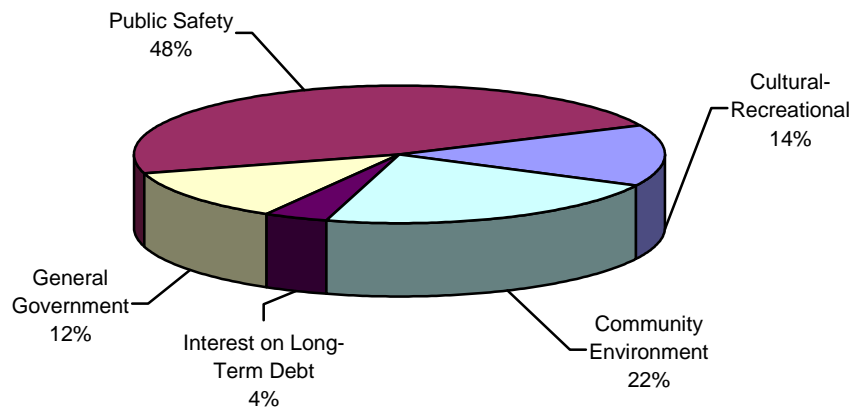
Governmental Activities

As presented in the following two graphs, the largest funding sources for the governmental activities are state shared revenues (30%) and taxes (26%). The largest users of resources for the governmental activities are Public Safety (48%), Community Environment (22%), Cultural-Recreational (14%), and General Government (12%).

Revenues by Source – Governmental Activities

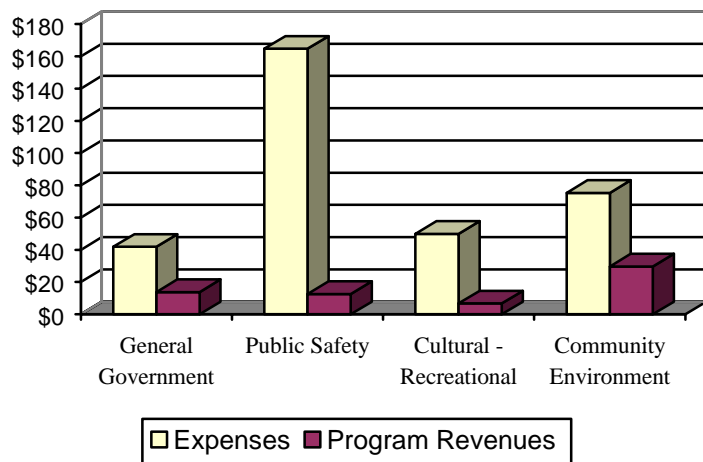


Functional Expenses – Governmental Activities



The following graph shows the functional revenues and expenses of the governmental activities to demonstrate the extent to which the governmental functions produce direct revenues to offset the program costs. It should be noted that this is not intended to represent the full cost allocation to these functions. General revenues of the City, including a \$60 million transfer from the business-type activities, cover expenses not generated by direct program revenues.

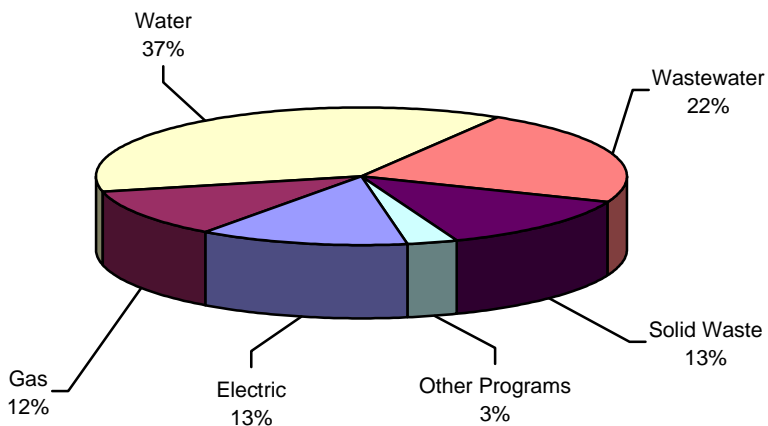
Expenses and Program Revenues – Governmental Activities
(Dollars in Millions)



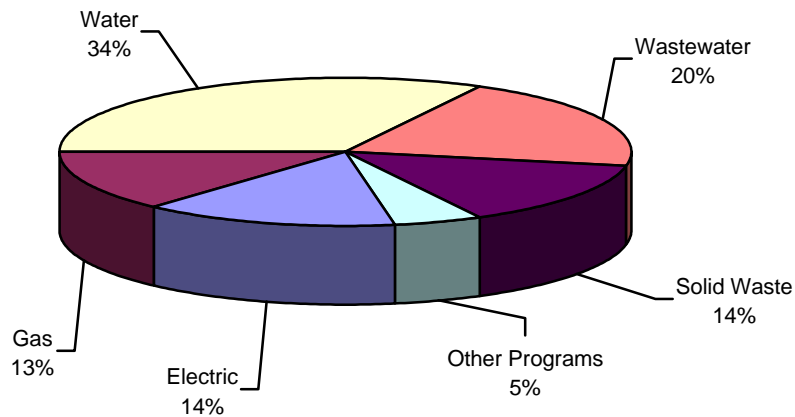
Business-type activities

As presented in the following two graphs, the largest funding sources and users of resources for the business-type activities are Water, Wastewater, Solid Waste and Electric.

Revenues by Source – Business-type Activities



Functional Expenses – Business-type Activities



Business-type activities decreased the City's net assets by \$14.3 million accounting for (2.3)% of the total growth in the City's net assets. Key factors in this decrease consist of:

- Charges for services for the business-type activities increased by 4.2% over the previous year. This was due to an increased customer base as well as a rate increase during the fiscal year.
- The operation of the business-type activities, net of the transfer to the governmental activities resulted in a \$2 million decrease in net assets.
- Although capital contributions decreased by 46% from the previous year, they continue to be a major revenue source for the business-type activities. Total capital contributions accounted for a \$25 million increase in net assets. The decrease from the previous year can be attributed to the slower growth occurring in the construction industry.
- Capital assets with a book value of \$36.6 million were transferred from the business-type activities to the governmental activities.
- Investment earnings decreased by \$2.1 million, reflecting the overall decrease in the interest rates available to the City.
- Net income of \$11 million for electric resale was realized in the prior fiscal year. Changes in the electric power purchase market resulted in the City not purchasing additional power for resale in the current fiscal year.

Financial Analysis of the City's Funds

As previously mentioned, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a brief discussion of the financial highlights from the fund financial statements.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's governmental funds reported combined ending fund balance of \$135.2 million, the same as the previous year. \$45.2 million of this total amount is in unreserved fund balance, available for spending in the coming year. The remainder of fund balance (\$90 million) is reserved to indicate it is not available for new spending as it is already committed. These fund balance reservations include \$55.5 million for Quality of Life Projects, \$33.5 million committed to liquidate contracts and purchase orders of the prior fiscal year, and the remaining \$1.0 million is reserved for debt service payments and prepaid costs.

The General Fund is the chief operating fund of the City and accounts for many of the major functions of the government including general government, public safety, cultural-recreational and community environment services. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$24.5 million, while total fund balance was \$94.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9.1% of total General Fund expenditures, while total fund balance represents 35.2% of the same amount.

The fund balance of the City's General Fund increased by \$10.3 million during the current fiscal year. This resulted from expenditures exceeding revenues by \$30.1 million and the transfer in from the Enterprise Fund (\$60 million) exceeding the transfers out to other funds (\$19.6 million) by \$40.4 million.

The Highway User Revenue Fund accounts for the construction and maintenance of municipal streets and highways, as required by state statute. Financing for this fund is provided by the state shared fuel taxes. Revenue in this fund decreased by \$0.4 million when compared to the previous fiscal year. This decrease was primarily due to a reduction in the fuel taxes received from the state and a reduction in investment income reflecting the overall decrease in interest rates available to the City.

Proprietary Funds - The City's Enterprise Fund provides the same type of information as the government-wide financial statements, except in more detail. Net assets of the Enterprise Fund decreased by \$14.2 million in fiscal year 2002. The difference in the decrease in net assets from the business-type activities is a result of the allocation of the internal service funds. The unrestricted net assets of the Enterprise Fund amounted to \$175.1 million. However, \$149.2 million of the unrestricted net assets are invested in joint ventures. Other factors concerning the finances of the Enterprise Fund have already been addressed in the discussion on the City's business-type activities.

Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and major special revenue funds and may be found on pages 78–83. These statements compare the original adopted budget, the budget as amended throughout the year, and the actual expenditures prepared on a budgetary basis. Budgetary schedules for the other governmental funds as well as the proprietary funds are also presented on pages 104-117.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.q. and Note 1.r.) for more information on budget policies. No amendments increasing the City's total adopted budget of \$813.1 million occurred during fiscal year 2002.

Several programs received contingency allocations for prior year encumbrances that were outstanding as of July 1, 2001. These are summarized as follows:

General Fund	\$ 7.2 million
Highway User Revenue Fund	\$ 4.6 million
Enterprise Fund	\$ 2.5 million

In addition, several programs were decreased during the year to compensate for the slow down in revenues. The most significant adjustment (\$7.7 million) occurred in the Enterprise Fund.

Year-end contingency allocations were also made at fiscal year-end to cover programs in the General Fund of \$3.6 million, \$1.5 million in the Highway User Revenue Fund and \$5.3 million in the Enterprise Fund.

Budgetary comparison highlights for the major governmental funds are as follows:

- General Fund revenues of \$240.3 million, on a budgetary basis, fell short of budgeted revenues of \$259.7 million by \$19.4 million (7.5%) while expenditures of \$283.8 million were only 83.4% of budgeted expenditures. The shortfall in revenues is primarily due to lower sales taxes as well as licenses and permits, resulting from a weaker than anticipated local economy. In addition, several federal grant programs were either delayed or did not materialize. Reduced expenditures resulted from a capital freeze and unspent contingencies.
- Revenues in the Highway User Revenue Fund fell 3% short of budgeted revenues, but expenditures were only 80% of budgeted expenditures due to unspent contingencies.

Capital Asset and Debt Administration

Capital Assets – The City's investment in capital assets for its governmental and business-type activities amounts to \$1,776,240,891 (net of accumulated depreciation). This investment in capital assets includes land buildings, other improvements, machinery and equipment and infrastructure. Infrastructure assets are items that are normally immovable and have value only to the City, such as streets, street lighting systems and storm drainage systems.

Capital Assets (Net of depreciation/amortization)

	Governmental Activities	Business-type Activities	Total
	2002	2002	2002
Land	\$ 188,712,556	\$ 59,297,647	\$ 248,010,203
Water Rights	-	8,970,000	8,970,000
Buildings	112,738,159	18,316,050	131,054,209
Other Improvements	72,660,300	643,744,751	716,405,051
Machinery and Equipment	37,575,033	8,416,728	45,991,761
Infrastructure	334,148,806	-	334,148,806
Excess of Cost Over Net Assets Acquired	-	7,259,703	7,259,703
Construction-in-Progress	196,638,041	87,763,117	284,401,158
Total	\$ 942,472,895	\$ 833,767,996	\$ 1,776,240,891

Major capital assets purchased or constructed during the current fiscal year included:

- The City began construction of the Mesa Arts Center with \$3 million spent during fiscal year 2002. The new \$90.8 million Mesa Arts Center will feature national and international touring entertainment and gallery exhibits and is funded by Quality of Life sales tax revenue. The construction is expected to last approximately 30 months with the grand opening planned for Spring 2005.
- The City continued construction on the expansion of the Northwest Water Reclamation Plant with an additional \$32.5 million spent during fiscal year 2002. The expansion, which is expected to be fully operational in the early part of next fiscal year, will enable the plant to treat 18 million gallons of wastewater per day.
- The City spent \$8.4 million on the installation of a new 800 MHz digital radio system for public safety personnel. Nine simulcast transmitter sites will blanket the entire three-city service area (Mesa, Gilbert and Apache Junction) and greatly increase the ability of public safety personnel to talk into and out of buildings across the entire service area.
- The City began construction on several new city parks projects. Included in these projects is the \$2.9 million Skyline Community Park, a new 30-acre community park funded by Parks bonds and Quality of Life sales tax revenues. The park will feature a four-field softball complex with concessions and restrooms, a play area, walking paths, basketball courts, volleyball courts, picnic facilities, parking and other amenities. Also included is a \$1.2 million expansion of Red Mountain Park for three new-lighted ball fields for youth/adult play. The improvements include restrooms, concession and parking.

Additional information on the City's capital assets can be found in Note 1(k.) of the notes to the financial statements.

Debt Administration - At the end of the current fiscal year, the City had total bonded debt outstanding of \$653.9 million. Of this amount, \$202.8 million comprises debt backed by the full faith and credit of the City and \$450.9 million represents bonds secured by specified revenue sources (i.e., Municipal Development Corporation bonds and revenue bonds). The remaining \$217,000 is special assessment debt for which the City is contingently liable in the event of a default by the property owners subject to the assessment.

The City's outstanding long-term debt, including bonds, capital leases and notes payable was \$688.2 million at June 30, 2002. \$285.4 million of this total was in governmental activities and \$402.8 million was in business-type activities. The City's outstanding long-term debt (considering new borrowings, debt retirements and refunding) increased \$66.4 million. New borrowings during the fiscal year included \$26.6 million in general obligation bonds, \$25.8 million in street and highway user revenue bonds and \$57.9 million in utility system revenue bonds.

The following schedule shows the outstanding long-term debt of the City as of June 30, 2002.

Outstanding Long-term Debt

	Governmental Activities	Business-type Activities	Total
	2002	2002	2002
General Obligation Bonds	\$ 179,683,587	\$ 23,072,732	\$ 202,756,319
Utility System Revenue Bonds	-	345,675,865	345,675,865
Highway User Revenue Fund Bonds	72,700,000	-	72,700,000
Municipal Development Corporation Bonds	11,925,000	20,600,000	32,525,000
Special Assessment Bonds with Governmental Commitment	217,000	-	217,000
Capital Leases	20,845,608	12,140,530	32,986,138
Notes Payable	-	1,355,468	1,355,468
Total	<u>\$ 285,371,195</u>	<u>\$ 402,844,595</u>	<u>\$ 688,215,790</u>

During the current fiscal year, the City refinanced some of its existing debt to take advantage of favorable interest rates.

- The City issued utility system revenue bonds to refinance previously outstanding general obligation bonds that were issued for utility system purposes and utility system revenue bonds. The refunding will reduce future debt service payments by \$3.9 million.
- The City also issued general obligation bonds to refinance previously outstanding general obligation bonds. The refunding will reduce future debt payments by \$0.7 million.

The City's current bond ratings on its general obligation bond issues are as follows:

Standards and Poor's Corporation	AA-
Moody's Investors Service	A1

The Arizona Constitution provides that the general obligation bonded indebtedness of a city for general municipal purposes may not exceed 6 percent of the secondary assessed valuation of the taxable property in that city. In addition to the 6 percent limitation for general municipal purpose bonds, cities may issue general obligation bonds up to an additional 20 percent of the secondary assessed valuation for supplying such city with water, artificial light or sewers, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities.

The total debt margin available July 1, 2002 is:

6% Bonds	\$ 48,089,692
20% Bonds	<u>338,313,976</u>
Total Available	\$386,403,668

Additional information on the City's long-term obligations can be found in Note 5 and Note 6 of the notes to the financial statements.

Economic Factors

Significant economic factors affecting the City are as follows:

- The City's unemployment rate of 4.6% compares favorably to the state unemployment rate of 5.7% and the national average rate of 5.6%.
- New residential building permits decreased 31% compared to the previous fiscal year. This corresponded to a dollar valuation decrease in residential building permits of \$228 million.

In June 2002, the City Council approved an \$803.9 million budget, which is approximately a 2% decrease from the prior year's budget. The fiscal year 2002 – 03 budget includes \$634.4 million for operations and \$169.5 million for scheduled bond capital improvements.

As with many organizations, the City has experienced challenges with its budget process due to national economic downturns, a reduction of the City's share of state income and sales taxes, slowing local development and new retail development in neighboring communities – lessening the City's sales tax collections.

Requests for Information

This financial report is designed to provide a general overview of the City of Mesa's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Larry Woolf, City of Mesa Financial Services Director, P.O. Box 1466, Mesa, Arizona, 85211-1466.



BASIC FINANCIAL STATEMENTS

CITY OF MESA, ARIZONA
EXHIBIT A-1
STATEMENT OF NET ASSETS
JUNE 30, 2002

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 159,856,385	\$ 5,194,085	\$ 165,050,470
Investments	-	1,336,175	1,336,175
Receivables:			
Accounts and Miscellaneous (Net of Allowances)	14,483,247	19,560,339	34,043,586
Accrued Interest	647,830	391,612	1,039,442
Due From Other Governments	17,390,442	289,644	17,680,086
Internal Balances	112,032	(112,032)	-
Inventory	3,658,345	-	3,658,345
Prepaid Costs	565,606	453,786	1,019,392
Deposits	1,607,289	7,610,549	9,217,838
Restricted Assets:			
Cash and Cash Equivalents	24,058,187	52,994,216	77,052,403
Accounts Receivable	367,458	-	367,458
Customer Deposits	-	2,184,099	2,184,099
Unamortized Bond Issue Costs	214,457	1,412,629	1,627,086
Investment in Joint Ventures	-	149,226,240	149,226,240
Capital Assets:			
Non-Depreciable	385,350,597	156,030,764	541,381,361
Depreciable, Net	557,122,298	677,737,232	1,234,859,530
Total Assets	1,165,434,173	1,074,309,338	2,239,743,511
LIABILITIES			
Warrants Outstanding	5,208,832	-	5,208,832
Accounts Payable	13,381,260	8,963,569	22,344,829
Other Accrued Expenses	14,672,694	-	14,672,694
Customer and Defendant Deposits	4,606,363	-	4,606,363
Liabilities Payable From Restricted Assets	25,138,579	35,427,100	60,565,679
Noncurrent Liabilities:			
Due Within One Year	3,066,461	3,772,848	6,839,309
Due in More Than One Year	298,440,477	408,155,354	706,595,831
Total Liabilities	364,514,666	456,318,871	820,833,537
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	624,647,011	406,180,825	1,030,827,836
Restricted For:			
Quality of Life Projects	66,096,204	-	66,096,204
Capital Projects	26,292,174	18,658,323	44,950,497
Debt Service	592,669	16,570,361	17,163,030
Bond Indentures	-	1,396,582	1,396,582
Grant Programs	1,528,644	-	1,528,644
Transportation Programs	1,496,591	-	1,496,591
Water, Wastewater & Solid Waste Improvements	-	197,547	197,547
Unrestricted	80,266,214	174,986,829	255,253,043
Total Net Assets	\$ 800,919,507	\$ 617,990,467	\$ 1,418,909,974

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA
EXHIBIT A-2
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 41,768,977	\$ 12,682,268	\$ 992,216	\$ 116,737
Public Safety	164,866,979	7,819,624	4,781,015	31,922
Cultural-Recreational	49,917,805	6,315,347	368,570	-
Community Environment	75,331,481	8,208,864	16,977,216	4,669,043
Interest on Long-Term Debt	13,482,328	-	-	-
Total Government Activities	345,367,570	35,026,103	23,119,017	4,817,702
Business-type Activities:				
Electric	21,586,810	29,166,639	-	-
Gas	20,215,585	26,502,312	-	66,658
Water	49,031,606	74,645,436	20,161	11,256,633
Wastewater	30,394,738	39,933,937	-	11,669,525
Soild Waste	21,430,944	29,605,827	8,000	418,449
Airport	2,018,408	1,789,167	-	1,660,281
Golf Course	2,275,182	2,364,190	-	-
Centennial Center	3,026,657	1,381,874	-	-
Total Business-type Activities	149,979,930	205,389,382	28,161	25,071,546
Total Primary Government	\$ 495,347,500	\$ 240,415,485	\$ 23,147,178	\$ 29,889,248
General Revenues:				
Sales and Occupancy Taxes				
State Shared Revenue				
Contributions Not Restricted to Specific Programs				
Unrestricted Investment Income				
Miscellaneous				
Transfers In (Out)				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

The accompanying notes are an integral part of the financial statements

EXHIBIT A-2 (Continued)

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government		
Governmental Activities	Business-type Activities	Total
<hr/>		
\$ (27,977,756)	\$ -	\$ (27,977,756)
(152,234,418)	-	(152,234,418)
(43,233,888)	-	(43,233,888)
(45,476,358)	-	(45,746,358)
(13,482,328)	-	(13,482,328)
<hr/>		
(282,404,748)	-	(282,404,748)
<hr/>		
-	7,579,829	7,579,829
-	6,353,385	6,353,385
-	36,890,624	36,890,624
-	21,208,724	21,208,724
-	8,601,332	8,601,332
-	1,431,040	1,431,040
-	89,008	89,008
-	(1,644,783)	(1,644,783)
<hr/>		
-	80,509,159	80,509,159
<hr/>		
\$ (282,404,748)	\$ 80,509,159	\$ (201,895,589)
<hr/>		
102,917,491	-	102,917,491
119,407,930	-	119,407,930
5,031,780	-	5,031,780
4,594,757	1,857,942	6,452,699
5,903,080	277,039	6,180,119
96,961,247	(96,961,247)	-
<hr/>		
334,816,285	(94,826,266)	239,990,019
<hr/>		
52,411,537	(14,317,107)	38,094,430
<hr/>		
748,507,970	632,307,574	1,380,815,544
<hr/>		
\$ 800,919,507	\$ 617,990,467	\$ 1,418,909,974
<hr/>		

CITY OF MESA, ARIZONA
EXHIBIT A-3
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2002

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 82,024,056	\$ 568	\$ 42,739,887	\$ 124,764,511
Accounts Receivable (Net of Allowances)	13,516,447	-	104,159	13,620,606
Accrued Interest Receivable	444,426	6,692	53,445	504,563
Due From Other Governments	11,065,717	2,708,567	3,599,696	17,373,980
Due From Other Funds	3,832,000	-	-	3,832,000
Prepaid Costs	554,514	2,452	1,072	558,038
Deposits	1,607,289	-	-	1,607,289
Restricted Assets:				
Cash and Cash Equivalents	-	-	24,058,187	24,058,187
Accounts Receivable	223,041	-	144,417	367,458
Total Assets	<u>\$ 113,267,490</u>	<u>\$ 2,718,279</u>	<u>\$ 70,700,863</u>	<u>\$ 186,686,632</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Outstanding	\$ 5,208,832	\$ -	\$ -	\$ 5,208,832
Accounts Payable	7,406,964	130,035	5,283,783	12,820,782
Due To Other Funds	-	1,219,000	2,088,000	3,307,000
Customer and Defendant Deposits	4,582,449	-	23,914	4,606,363
Payable From Restricted Assets:				
Accounts Payable	-	-	11,210	11,210
Accrued Lease Interest Payable	-	-	443,771	443,771
Accrued Bond Interest Payable	-	-	6,611,552	6,611,552
Deferred Revenue	1,751,685	-	144,417	1,896,102
General Obligation Bonds Payable	-	-	14,223,402	14,223,402
Municipal Development Corporation Bonds Payable	-	-	910,000	910,000
Capital Leases Payable	-	-	1,410,000	1,410,000
Total Liabilities	<u>18,949,930</u>	<u>1,349,035</u>	<u>31,150,049</u>	<u>51,449,014</u>
Fund Balances				
Reserved For Encumbrances	13,756,037	594,895	19,196,900	33,547,832
Reserved For Prepaid Costs	554,514	-	1,072	555,586
Reserved For Quality of Life Projects	55,474,624	-	-	55,474,624
Reserved For Debt Service	-	-	448,252	448,252
Unreserved, reported in:				
General Fund	24,532,385	-	-	24,532,385
Special Revenue Funds	-	774,349	11,344,979	12,119,328
Capital Project Funds	-	-	8,559,611	8,559,611
Total Fund Balances	<u>94,317,560</u>	<u>1,369,244</u>	<u>39,550,814</u>	<u>135,237,618</u>
Total Liabilities and Fund Balances	<u>\$ 113,267,490</u>	<u>\$ 2,718,279</u>	<u>\$ 70,700,863</u>	<u>\$ 186,686,632</u>

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA
EXHIBIT A-4
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 GOVERNMENTAL FUNDS
 JUNE 30, 2002

Fund Balances - total governmental funds balance sheet	\$ 135,237,618
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Amounts reported for governmental activities in the statement of net assets
 are different because (also see Note 2):

Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds	937,650,476
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Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds	214,457
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Long-term liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the governmental funds.	(301,506,938)
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Deferred revenue for long-term rehabilitation loans and special assessments is shown on the governmental funds, but is not deferred on the statement of net assets.	367,458
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Internal service funds are used by management to charge the costs of certain activities to individual funds.	<u>28,956,436</u>
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Net assets of the governmental activities - statement of net assets	\$ <u><u>800,919,507</u></u>
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The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA

EXHIBIT A-5

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 102,917,491	\$ -	\$ -	\$ 102,917,491
Special Assessments	-	-	68,388	68,388
Licenses and Permits	10,920,682	-	6,520,648	17,441,330
Intergovernmental	99,701,600	30,263,238	14,935,108	144,899,946
Charges For Services	9,004,323	-	488,541	9,492,864
Fines and Forfeitures	7,860,435	21,106	-	7,881,541
Investment Income	3,404,390	47,334	372,041	3,823,765
Miscellaneous	4,178,132	2,500	1,521,897	5,702,529
Total Revenues	<u>237,987,053</u>	<u>30,334,178</u>	<u>23,906,623</u>	<u>292,227,854</u>
Expenditures:				
Current:				
General Government	34,413,634	-	-	34,413,634
Public Safety	152,211,510	-	-	152,211,510
Cultural-Recreational	45,139,625	-	-	45,139,625
Community Environment	13,163,002	19,111,649	16,518,684	48,793,335
Debt Service:				
Principal Retirement	-	-	20,844,687	20,844,687
Interest on Bonds	-	-	12,374,613	12,374,613
Interest on Leases	-	-	1,107,715	1,107,715
Service Charges	-	-	98,891	98,891
Capital Outlay	23,189,390	2,025,480	65,301,338	90,516,208
Total Expenditures	<u>268,117,161</u>	<u>21,137,129</u>	<u>116,245,928</u>	<u>405,500,218</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,130,108)	9,197,049	(92,339,305)	(113,272,364)
Other Financing Sources (Uses):				
Transfers In	60,074,941	-	38,244,183	98,319,124
Transfers Out	(19,657,219)	(12,127,385)	(6,994,520)	(38,779,124)
Proceeds From Bond Sales	-	-	51,309,318	51,309,318
Proceeds From Obligations of Capital Leases	-	-	2,448,000	2,448,000
Proceeds From Refunding Issue	-	-	26,333,383	26,333,383
Payment to Refunded Bond Escrow Agent	-	-	(26,333,383)	(26,333,383)
Total Other Financing Sources and Uses	<u>40,417,722</u>	<u>(12,127,385)</u>	<u>85,006,981</u>	<u>113,297,318</u>
Net Change in Fund Balances	10,287,614	(2,930,336)	(7,332,324)	24,954
Fund Balances - Beginning	84,029,946	4,299,580	46,883,138	135,212,664
Fund Balances - Ending	<u>\$ 94,317,560</u>	<u>\$ 1,369,244</u>	<u>\$ 39,550,814</u>	<u>\$ 135,237,618</u>

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA

EXHIBIT A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Net change in fund balances - total governmental funds	\$ 24,954
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Amounts reported for governmental activities in the statement of activities
are different because (also see Note 2):

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	367,458
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(5,366,235)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$90,516,208) exceeded depreciation (\$39,665,659) in the current period.	50,850,549
The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to increase net assets	38,253,498
The issuance of long-term debt (e.g., bonds and capital leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net assets.	(32,695,578)
Governmental funds report the effect of bond issuance costs, premiums and deferred loss related to refunding when the new debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(6,951)
Immaterial bond premiums reported on the governmental funds as other financing sources are reclassified to miscellaneous revenue on the statement of activities.	134,318
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>849,524</u>

Change in net assets of the governmental activities - statement of activities	\$ <u><u>52,411,537</u></u>
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The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA
EXHIBIT A-7
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2002

ASSETS

Current Assets:

	Business-type Activities	Governmental Activities - Internal Service Funds
	Enterprise Fund	
Cash and Cash Equivalents	\$ 5,194,085	\$ 35,091,874
Investments	1,336,175	-
Accounts Receivable (Net of Allowances of \$966,000)	19,560,339	278,481
Accrued Premiums Receivable	-	584,160
Accrued Interest Receivable	391,612	143,267
Due From Other Governments	289,644	16,462
Inventory	-	3,658,345
Prepaid Costs	753,786	7,568
Deposits	7,610,549	-
Total Current Assets	<u>34,836,190</u>	<u>39,780,157</u>

Noncurrent Assets:

Restricted Assets:

Customer Deposits and Prepayments:		
Cash and Cash Equivalents	4,174,418	-
Customer Deposits	2,184,099	-
Debt Service:		
Cash and Cash Equivalents	26,970,205	-
Impact & Development Fees:		
Cash and Cash Equivalents	229,782	-
Bond Replacement, Extensions and Reserves:		
Cash and Cash Equivalents	1,413,006	-
Capital Projects:		
Cash and Cash Equivalents	20,206,805	-
Unamortized Bond Issue Costs	1,412,629	-
Total Restricted Assets	<u>56,590,944</u>	<u>-</u>
Capital Assets:		
Land	59,297,647	-
Water Rights	8,970,000	-
Buildings	29,411,318	1,679,027
Other Improvements	845,120,495	3,663,626
Machinery and Equipment	26,877,913	829,025
Construction in Progress	87,763,117	880,633
Excess of Cost Over Net Assets Acquired	13,982,585	-
Less Accumulated Depreciation and Amortization	<u>(237,655,079)</u>	<u>(2,229,892)</u>
Total Capital Assets, Net	833,767,996	4,822,419
Investment in Joint Venture	149,226,240	-
Total Noncurrent Assets	<u>1,039,585,180</u>	<u>4,822,419</u>
Total Assets	<u>\$ 1,074,421,370</u>	<u>\$ 44,602,576</u>

(Continued)

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA
EXHIBIT A-7 (Continued)
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2002

	Business-type Activities	Governmental Activities - Internal Service Funds
	Enterprise Fund	
LIABILITIES		
Current Liabilities-Payable From Current Assets:		
Accounts Payable	\$ 8,963,569	\$ 560,478
Other Accrued Expenses	-	14,672,694
Due To Other Funds	-	525,000
Total Current Liabilities-Payable From Current Assets	<u>8,963,569</u>	<u>15,758,172</u>
Current Liabilities-Payable From Restricted Assets:		
Impact & Development Fees-Accounts Payable	32,235	-
Bond Replacement, Extensions and Reserves-Accounts Payable	16,424	-
Capital Projects-Accounts Payable	1,548,482	-
Accrued Notes Interest Payable	12,841	-
Accrued Bond Interest Payable	10,387,003	-
Current Portion of Revenue Bonds Payable	4,650,000	-
Current Portion of General Obligation Bonds Payable	12,421,598	-
Current Portion of Municipal Development Bonds Payable	800,000	-
Current Portion of Notes Payable	136,808	-
Capital Projects-Current Portion of Leases Payable	2,836,040	-
Customer Deposits and Prepayments	6,358,517	-
Total Current Liabilities-Payable From Restricted Assets	<u>39,199,948</u>	<u>-</u>
Long-Term Liabilities:		
Revenue Bonds Payable, Net of Deferred Loss on Refundings	345,675,865	-
General Obligation Bonds Payable	23,072,732	-
Municipal Development Corporation Bonds Payable	19,800,000	-
Notes Payable	1,218,660	-
Capital Leases	9,304,490	-
Unamortized Bond Premium	9,083,607	-
Total Long-Term Liabilities	<u>408,155,354</u>	<u>-</u>
Total Liabilities	<u>456,318,871</u>	<u>15,758,172</u>
NET ASSETS		
Invested In Capital Assets, Net of Related Debt	406,180,825	4,822,419
Restricted For:		
Capital Projects	18,658,323	-
Debt Service	16,570,361	-
Bond Indentures	1,396,582	-
Water, Wastewater & Solid Waste Improvements	197,547	-
Unrestricted	<u>175,098,861</u>	<u>24,021,985</u>
Total Net Assets	<u>\$ 618,102,499</u>	<u>\$ 28,844,404</u>
Adjustment to reflect the consolidation of the internal service funds related to the enterprise fund.	<u>(112,032)</u>	
Total net assets of the business-type activities	<u>\$ 617,990,467</u>	

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA
EXHIBIT A-8
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Business-type Activities	Governmental Activities - Internal Service Funds
	Enterprise Fund	
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	\$ 29,166,639	\$ -
Gas Sales Pledged as Security for Revenue Bonds	26,502,312	-
Water Sales Pledged as Security for Revenue Bonds	74,645,436	-
Wastewater Charges Pledged as Security for Revenue Bonds	39,933,937	-
Solid Waste Charges Pledged as Security for Revenue Bonds	29,605,827	-
Airport Fees	1,789,167	-
Golf Course Fees	2,364,190	-
Centennial Center Fees	1,381,874	-
Charges For Services	-	19,059,697
Self-Insurance Contributions	-	18,702,982
Other	-	65,103
	<u>205,389,382</u>	<u>37,827,782</u>
Total Operating Revenues		
Operating Expenses:		
Electric	19,121,117	-
Gas	18,464,466	-
Water	28,533,016	-
Wastewater	16,735,776	-
Solid Waste	19,853,136	-
Airport	1,356,241	-
Golf Course	2,016,682	-
Centennial Center	2,809,037	-
Warehouse, Maintenance & Services	-	19,298,133
Self-Insurance	-	19,024,674
	<u>108,889,471</u>	<u>38,322,807</u>
Total Operating Expenses		
Operating Income Before Depreciation and Amortization	96,499,911	(495,025)
Depreciation and Amortization	<u>(20,474,492)</u>	<u>(209,972)</u>
Operating Income (Loss)	<u>76,025,419</u>	<u>(704,997)</u>
		(Continued)

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA
EXHIBIT A-8 (Continued)
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Business-type Activities	Governmental Activities - Internal Service Funds
	Enterprise Fund	
Nonoperating Revenues (Expenses):		
Investment Income Pledged as Security for Revenue Bonds	1,855,306	-
Investment Income Unpledged	2,636	981,360
Intergovernmental	28,161	-
Miscellaneous Pledged as Security for Revenue Bonds	276,990	-
Miscellaneous Unpledged	49	1,130
Interest Expense:		
Revenue Bonds	(10,186,926)	-
General Obligation Bonds	(3,497,210)	-
Municipal Development Corporation Bonds	(730,399)	-
Notes Payable	(80,198)	-
Capital Leases	(636,910)	-
Amortization of Bond Issuance and Administrative Costs	(323,688)	-
Equity Interest in Joint Venture	(5,048,603)	-
Total Nonoperating Revenues (Expenses)	<u>(18,340,792)</u>	<u>982,490</u>
Income before Transfers and Capital Contributions	57,684,627	277,493
Capital Contributions	25,071,546	-
Capital Contributions to Governmental Activities	(36,961,247)	-
Transfers In	-	460,000
Transfers Out	<u>(60,000,000)</u>	<u>-</u>
Change in Net Assets	(14,205,074)	737,493
Total Net Assets - Beginning	<u>632,307,573</u>	<u>28,106,911</u>
Total Net Assets - Ending	<u><u>\$ 618,102,499</u></u>	<u><u>\$ 28,844,404</u></u>
Adjustment to reflect consolidation of internal service funds related to the enterprise fund.	<u>(112,032)</u>	
Total net assets of the business-type activities	<u><u>\$ 617,990,467</u></u>	

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA

EXHIBIT A-9

COMBINED STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Business-type Activities	Governmental Activities - Internal Service
	Enterprise Fund	Funds
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 212,514,367	\$
Cash Received From Users	6,067,600	37,941,496
Cash Payments to Suppliers	(80,145,867)	(30,060,728)
Cash Payments to Employees	(36,908,077)	(9,562,635)
Net Cash Provided by (Used For) Operating Activities	101,528,023	(1,681,867)
Cash Flows From Noncapital Financing Activities:		
Intergovernmental Revenue	28,161	
Transfers In From Other Funds		460,000
Transfers Out to Other Funds	(60,000,000)	
Net Cash Provided By (Used For) Noncapital Financing Activities	(59,971,839)	460,000
Cash Flows From Capital and Related Financing Activities:		
Proceeds From Bond Sales	196,718,466	
Payment to Refunded Bond Escrow Agent	(135,752,239)	
Acquisition and Construction of Capital Assets	(56,117,699)	(233,449)
Investment in Joint Ventures	(13,153,379)	
Proceeds From Sale of Assets	97,752	1,130
Principal Paid on Bond and Note Maturities	(27,121,408)	
Interest Paid on Bonds and Notes	(19,996,443)	
Bond Issuance and Administrative Expenses	(279,076)	
Capital Contributed by Other Governments	1,750,754	
Capital Contributed by Subdividers	9,021,163	
Net Cash Used For Capital and Related Financing Activities	(44,832,109)	(232,319)
Cash Flows From Investing Activities:		
Proceeds From Sale and Maturities of Investment Securities	3,196,258	
Interest Received on Investments	2,545,415	1,105,905
Net Cash Provided by Investing Activities	5,741,673	1,105,905
Net Increase (Decrease) in Cash and Cash Equivalents	2,465,748	(348,281)
Cash and Cash Equivalents at Beginning of Year	55,722,553	35,440,155
Cash and Cash Equivalents at End of Year	\$ 58,188,301	\$ 35,091,874

The accompanying notes are an integral part of the financial statements.

CITY OF MESA, ARIZONA
EXHIBIT A-9 (Continued)
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Business-type Activities	Governmental Activities - Internal Service Funds
	Enterprise Fund	
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss)	\$ 76,025,419	\$ (704,997)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	20,474,492	209,972
Noncash Loss on Disposal of Assets	655,778	1,071
Changes in Assets and Liabilities:		
Decrease in Receivables	13,192,585	113,714
(Increase) in Inventory		(227,306)
(Increase) Decrease in Prepaid Costs	(2,803,819)	25,550
Increase (Decrease) in Accounts Payable	5,308,122	(428,855)
(Decrease) in Other Accrued Expense	(11,324,554)	(1,196,016)
(Decrease) in Due to Other Funds		525,000
Total Adjustments	25,502,604	(976,870)
Net Cash Provided (Used For) by Operating Activities	\$ 101,528,023	\$ (1,681,867)
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets	\$ 22,661,618	
Amortization of Bond Premium	445,371	
Amortization of Bond Issuance Costs	44,612	
Amortization of Deferred Revenue-Revenue Bonds	539,725	

The accompanying notes are an integral part of the financial statements.

CITY OF MESA, ARIZONA
EXHIBIT A-10
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2002

	<u>Payroll Agency</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 19,064,286</u>
Total Assets	<u><u>\$ 19,064,286</u></u>
LIABILITIES	
Accrued Payroll Payable	<u>\$ 19,064,286</u>
Total Liabilities	<u><u>\$ 19,064,286</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA

EXHIBIT A-11

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
PAYROLL AGENCY FUND				
Assets:				
Cash and Cash Equivalents	\$ 17,216,493	\$ 451,365,908	\$ 449,518,115	\$ 19,064,286
Due From Other Funds		3,370,507	3,370,507	
Total Assets	<u>\$ 17,216,493</u>	<u>\$ 454,736,415</u>	<u>\$ 452,888,622</u>	<u>\$ 19,064,286</u>
Liabilities:				
Accrued Payroll Payable	\$ 17,216,493	\$ 264,645,539	\$ 262,797,746	\$ 19,064,286
Total Liabilities	<u>\$ 17,216,493</u>	<u>\$ 264,645,539</u>	<u>\$ 262,797,746</u>	<u>\$ 19,064,286</u>

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

The City of Mesa (the “City”) was incorporated July 5, 1883 with an approximate population of 300 and an area of one square mile. Today, the City’s estimated population is 431,874 within an area of approximately 129 square miles. The City’s charter was adopted August 18, 1967 providing for a Council-Manager form of government. The City provides a full range of municipal services including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration. In addition, the City owns and operates an enterprise whose activities include operations of electricity, gas, water, wastewater, solid waste, airport, golf courses and community center.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In fiscal year 2002, the City adopted three new statements of financial accounting standards issued by GASB:

Statement No. 34 - *Basic Financial Statements and Management Discussion and Analysis – for State and Local Governments.*

Statement No. 37 - *Basic Financial Statements and Management Discussion and Analysis – for State and Local Governments: Omnibus.*

Statement No. 38 - *Certain Financial Statement Disclosures.*

In June 1999, GASB unanimously approved GASB Statement No. 34. This Statement (as amended by Statement No. 37) establishes new financial reporting requirements for state and local governments. It requires new information and restructures much of the information that governments have presented in the past. Comparability with reports issued in the prior years is affected. As part of this Statement, there is a new reporting requirement regarding the local government’s infrastructure (streets, street lighting systems, storm drainage systems, etc.). This requirement permits an optional four-year delay for retrospective reporting of infrastructure to the fiscal year ending 2006. The City has elected to early implement the retrospective reporting of infrastructure with the fiscal year ending 2002.

Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this Statement did not affect amounts reported in the financial statements of the City, certain note disclosures have been added or amended including descriptions of activities of major funds, violations of legal or contract provisions, future debt service and lease obligations in five-year increments and interfund balances and transactions.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

As a result of implementing GASB 34, the previously reported governmental fund balance reconciles to net assets of the governmental activities as of July 1, 2001 as follows:

Fund balance, July 1, 2001, as previously reported	\$135,212,664
Net capital assets	848,546,430
Long-term liabilities	(263,358,035)
Internal service fund assets	<u>28,106,911</u>
Net assets, July 1, 2001, full accrual	<u>\$748,507,970</u>

The City's other significant accounting policies are described below:

a. **Reporting Entity**

The accompanying financial statements include the City and its component unit, the Mesa Municipal Development Corporation, collectively referred to as "the financial reporting entity". In accordance with GASB No. 14, the component unit discussed below has been included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

City of Mesa Municipal Development Corporation is a nonprofit corporation which is organized under the laws of the State of Arizona to assist the City in the acquisition and financing of municipal projects and facilities. The corporation is governed by a board of directors, which is responsible for approving the corporation's bond sales. Bond sales must also be approved by the City Council. Although they are legally separate from the City, the corporation is reported as if it is part of the primary government because its sole purpose is to finance the acquisition and or construction of public facilities for the City. Separate financial statements for the corporation can be obtained through the City's Finance Division.

b. **Jointly Governed Organizations**

Williams Gateway Airport Authority is a nonprofit corporation established and funded by the City of Mesa, the Towns of Gilbert and Queen Creek, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base which was closed in September 1993 to become Williams Gateway Airport Authority. The Board of Directors consists of the mayors for the respective municipalities and the governor of the tribal community.

Regional Public Transportation Authority ("RPTA") is a voluntary association of local governments, including Mesa, Tempe, Scottsdale, Glendale, Phoenix and Maricopa County. Its purpose is to create a regional public transportation plan for Maricopa County. The Board of Directors consists of the mayors of those cities and a member of the County Board of Supervisors.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Arizona Municipal Water Users Association (“AMWUA”) is a nonprofit corporation established and funded by cities in Maricopa County for the development of an urban water policy and to represent the cities’ interests before the Arizona legislature. In addition, AMWUA contracts with the cities jointly using a multi-city sanitary sewer system to perform certain accounting, administrative and support services (see Note 15).

c. **Basic Financial Statements –GASB Statement No. 34**

The City has implemented GASB Statement No. 34 *Basic Financial Statements and Management Discussion and Analysis – for State and Local Governments*. Under this new reporting model, the basic financial statements include both government-wide and fund financial statements.

Government-wide Financial Statements: The government-wide financial statements (the statement of net assets and the statement of activities) report on the City as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. Certain charges between the Enterprise Fund’s utility systems and the various functional activities are not eliminated, as this would distort the direct costs and program revenues reported for the various functions concerned.

The government-wide statement of net assets reports all financial and capital resources of the City, excluding fiduciary funds. It is presented in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be presented in three components: invested in capital assets, net of related debt; restricted and unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, capital leases, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use externally either imposed by creditors (such as bond covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of activities demonstrates the degree to which the direct expenses of the various functional activities and segments of the City are offset by

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

program revenues. Direct expenses are those that are clearly identifiable with a specific functional activity (General Government, Public Safety, Cultural-Recreational, etc.) or segment. Expenses reported for the various functional activities or segments include indirect expenses, such as overhead costs. Interest on general long-term debt is not allocated to the various functions. Program revenues include charges to customers or applicants who directly benefit from goods, services or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, including special assessments. Taxes and other items not properly included as program revenues are reported as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues. Historically, the previous reporting model did not summarize or present net cost by function or activity.

Fund Financial Statements: The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. However, the fiduciary funds are not included in the government-wide statements. The focus of the fund financial statements is on major funds, as defined by Statement No. 34. Major individual governmental funds are reported as separate columns in the fund financial statements. The City has only one enterprise fund, which is reported as a major fund. Other non-major governmental funds, as well as the internal service funds, are summarized into a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

d. **Measurement Focus, Basis Accounting and Financial Statement Presentation**

Government-wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements: The Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., - measurable and available to finance the City's operations. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current period. Principal revenue sources considered to be susceptible to accrual are City sales taxes, intergovernmental revenues and interest on investments.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

In applying the susceptible to accrual concept to intergovernmental revenues pursuant to GASB Statement No. 33 – *Recipient Reporting for Certain Non-exchange Transactions*, receivable and revenues are recognized when all the applicable eligibility requirements, including time requirements, have been met. Resources transmitted before the eligibility requirements are met are reported as deferred revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

City Sales taxes collected and held by merchants at year-end on behalf of the City are recognized as revenue. State shared revenues, including sales and income taxes, highway user and auto lieu taxes, and lottery distributions for transportation assistance, that are collected and held by the State at year-end on behalf of the City are also recognized as revenue. Special assessments are recognized as revenue only to the extent that individual installments are considered current assets. Annual installments not currently receivable are reflected as deferred special assessments revenue.

Licenses and permits, charges for services and miscellaneous revenues are recorded as revenue when received as cash because they are generally not available until actually received. Changes in the fair value of investments are recognized in revenue at the end of each year.

Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. An exception to this general rule is interest on long-term debt which is recorded when due.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation. Additional reconciliations are also provided in Note 2.

Proprietary Funds and Fiduciary Funds Financial Statements: The financial statements of the proprietary funds and the fiduciary funds are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements described above.

GASB No. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

conflict with or contradict GASB pronouncements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition, such as investment income and interest expense are reported as non-operating revenues and expenses.

Internal service funds of the City, which provide services primarily to the other funds of the City, are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of the internal service funds are consolidated into the governmental activities column when presented at the government-wide level. The costs of these services are reflected in the appropriate functional activity (General Government, Public Safety, Cultural-Recreational, etc.) on the government-wide Statement of Activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling up effect of these revenues and expenses.

The City's fiduciary funds are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide financial statements.

e. **Fund Accounting**

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the fund financial statements. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Highway User Revenue Fund** accounts for capital projects and maintenance of the City's streets and highways, as mandated by the Arizona Revised Statutes. Financing for this fund is provided by the state shared fuel taxes.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

The City reports the following major proprietary fund:

The **Enterprise Fund** has been established to account for all enterprise functions. This includes the City-owned Electric, Gas, Water, Wastewater and Solid Waste Systems, as well as the City-owned Airport, Golf Courses and Centennial Center.

Additionally, the City reports the following fund types:

The **Internal Service Funds** are used to account for operations that provide services to other departments of the government on a cost-reimbursement basis. These services include fleet support, materials and supply, printing and graphics, and self-insurance for property and public liability, workers' compensation and employee benefit programs.

The **Agency Fund** is used to account for assets being held by the City as an agent in a temporary custodial capacity. The Payroll Agency Fund accounts for all payroll transactions.

GASB Statement No. 34 eliminates the presentation of account groups in the financial statements (formerly the general fixed asset account group and the general long-term debt account group). The governmental long-term assets and liabilities continue to be maintained in account groups for tracking purposes, but are presented with the governmental activities in the government-wide statement of net assets.

f. **Cash and Investments**

At year-end, City cash totaled \$1,456,632 of which \$223,530 was petty cash. The City's bank deposits were \$1,233,102 and the bank balance was \$492,588. Of the bank balance, \$218,523 was covered by federal depository insurance and \$274,065 was covered by collateral held in the pledging bank's trust department in the City's name.

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool is overseen according to Arizona State Statute by the State Board of Deposit. The fair value of each share as of June 30, 2002, is equal to \$1.00.

The City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. These investments are carried at amortized cost which also represents their value upon withdrawal. The City's investments that are reflected in the financial statements as cash equivalents total \$259,710,527.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Investments are categorized to give an indication of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer. All of the City's investments (cash equivalents) at June 30, 2002 are not subject to categorization because the funds are invested in the State Treasurer's investment pool or mutual funds.

	<u>Carrying Value</u>
<u>Investments:</u>	
Investments in State Treasurer's Plan 6 Pool	\$ <u>1,336,175</u>
 Total Investments as Reported in the Financial Statements	 <u>1,336,175</u>
<u>Cash Equivalents:</u>	
Money Market Mutual Funds	9,519,690
 Investments in State Treasurer's Local Government Investment Pool	 <u>250,190,837</u>
 Total Cash Equivalents	 <u>259,710,527</u>
 Total Investments and Cash Equivalents	 <u>\$ 261,046,702</u>

Investments are stated at fair value that are based on quoted market prices and cash equivalents are stated at amortized cost. Interest income from investments is recorded as revenue within the fund that made the investment, with the exception of the Debt Service, Capital Projects and Agency Funds. Income from investments within these funds is recorded in the General or Enterprise Fund based upon their general governmental or enterprise related function.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

g. **Accounts Receivable and Due from Other Governments**

Accounts receivable are recorded in the various funds and displayed in the financial statements net of an allowance for uncollectibles as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities:			
General Fund:			
Sales Tax	\$ 8,685,323	\$ (215,000)	\$ 8,470,323
Courts	29,303,544	(27,002,708)	2,300,836
Other Customers	2,973,788	(228,500)	2,745,288
Restricted	223,041		223,041
Due from Other Governments:			
State Shared Revenues	8,532,626		8,532,626
Other	2,533,091		2,533,091
Highway User Revenue Fund:			
Due from Other Governments:			
State Shared Revenues	2,707,207		2,707,207
Other	1,360		1,360
Internal Service Funds:			
Customers	862,641		862,641
Due from Other Governments:	16,462		16,462
Other Governmental Funds:			
Customers	104,159		104,159
Restricted	144,417		144,417
Due from Other Governments:	3,599,696		3,599,696
Total Governmental Activities	<u>\$ 59,687,355</u>	<u>\$ (27,446,208)</u>	<u>\$ 32,241,147</u>
Business-Type Activities:			
Utility Customers	\$ 19,635,044	\$ (875,000)	\$ 18,760,044
Other Customers	891,295	(91,000)	800,295
Due from Other Governments:	289,644		289,644
Total Business-Type Activities	<u>\$ 20,815,983</u>	<u>\$ (966,000)</u>	<u>\$ 19,849,983</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Rehabilitation Revolving Loans not yet due (general fund)	\$ 222,833
Surcharges included in Court Receivables (general fund)	749,534
Special assessments not yet due (debt service fund)	144,417
Grants received prior to meeting all eligibility requirements (general fund)	<u>779,318</u>
Total deferred revenue for governmental funds	<u>\$1,896,102</u>

h. **Interfund Receivables, Payables, and Transfers**

The following interfund activities are included in the fund financial statements at June 30, 2002:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General Fund	\$ 3,832,000	\$
Highway User Revenue Fund		1,219,000
Other Governmental Funds		<u>2,088,000</u>
Total governmental funds	<u>3,832,000</u>	<u>3,307,000</u>
Internal Service funds		<u>525,000</u>
Total	<u>\$ 3,832,000</u>	<u>\$ 3,832,000</u>

The interfund balances at June 30, 2002 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2002 are expected to be repaid within one year.

The net transfers of \$96,961,247 from Business-type activities to Governmental activities on the Government-wide statement of activities are primarily operational subsidies from the Enterprise Fund to the General Fund and capital assets with a book value of \$36,961,247 that were transferred from the Enterprise Fund to the Governmental funds. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2002:

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental funds:		
General Fund	\$ 19,657,219	\$ 60,074,941
Highway User Revenue Fund	12,127,385	
Other Governmental Funds	6,994,520	38,244,183
Total governmental funds	38,779,124	98,319,124
Enterprise Fund	60,000,000	
Internal Service Funds		460,000
Total	\$ 98,779,124	\$ 98,779,124

The interfund transfers generally fall within one of the following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; 2) subsidy transfers.

i. **Inventory**

The warehouse inventory is valued at the lower of average cost or market, while fleet support services inventory is valued at cost on a First-In, First Out (FIFO) basis. The cost of inventory is reported as an expenditure at the time individual items are consumed.

j. **Unbilled Accounts Receivable**

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2002, unbilled utility service receivables are recorded in the Enterprise Fund as follows:

Electric	\$ 2,391,534
Gas	933,837
Water	4,192,529
Wastewater	2,055,629
Solid Waste	1,212,076
	<u>\$10,785,605</u>

k. **Capital Assets**

Prior to GASB Statement No. 34, capital assets for governmental funds were recorded in the General Fixed Asset Account Group and were not depreciated. The new model requires that all capital assets, whether owned by governmental activities or business-type activities be recorded and depreciated in the government-wide financial statements.

Capital assets, including infrastructure (streets, sidewalks, street lighting, storm drainage and other assets that are immovable and of value only to the City) are defined as assets with an initial costs of \$5,000 or more and an estimated useful life of more than one year.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributions of assets are stated at fair market value based on appraisals or engineering estimates of value at the time of receipt. When assets are retired or sold, the costs of the assets and the related accumulated depreciation are eliminated from the accounts, and any resultant gain or loss is charged to income or expense.

Prior to June 30, 1978, the City did not maintain detailed property cost records of its capital assets other than for rolling stock. A physical inventory was performed during the fiscal year ended June 30, 1978 and detailed property records were prepared. Generally, the assets were recorded at cost. Where historical cost information was not available, the assets were valued at estimated cost using engineering estimates, appraisals or current replacement cost, adjusted to the year of acquisition.

Depreciation has been provided using the straight-line method based on the estimated useful lives of the assets. Amortization of capital leased assets has been provided using the straight-line method based on the shorter of the lease period or estimated useful lives of the leased assets.

The estimated useful lives are as follows:

Buildings	15-50 Years
Other Improvements	10-50 Years
Machinery and Equipment	3-30 Years
Infrastructure	10-99 Years

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2002 follows:

	Balance July 1, 2001	Additions	Retirements and Transfers	Balance June 30, 2002
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 184,810,820	\$ 3,915,059	\$ (13,323)	\$ 188,712,556
Construction-in-Progress	<u>209,422,897</u>	<u>90,749,659</u>	<u>(103,534,515)</u>	<u>196,638,041</u>
Total Non-depreciable Assets	394,233,717	94,664,718	(103,547,838)	385,350,597
Depreciable Assets:				
Buildings	114,045,492	28,001,995	(25,000)	142,022,487
Other Improvements	76,050,858	20,623,170	(319,617)	96,354,411
Machinery & Equipment	80,406,736	23,483,767	(3,834,575)	100,055,928
Infrastructure	<u>413,220,676</u>	<u>29,519,381</u>	<u>43,030,962</u>	<u>485,771,019</u>
Total Depreciable Assets	683,723,762	101,628,313	38,851,770	824,203,845
Less Accumulated Depreciation for:				
Buildings	(26,709,645)	(2,593,180)	18,497	(29,284,328)
Other Improvements	(21,120,603)	(2,673,810)	100,302	(23,694,111)
Machinery & Equipment	(55,420,439)	(10,407,928)	3,347,472	(62,480,895)
Infrastructure	<u>(121,360,353)</u>	<u>(24,200,712)</u>	<u>(6,061,148)</u>	<u>(151,622,213)</u>
Total Accum. Depreciation	<u>(224,611,040)</u>	<u>(39,875,630)</u>	<u>(2,594,877)</u>	<u>(267,081,547)</u>
Total Depreciable Assets, net	<u>459,112,722</u>	<u>61,752,683</u>	<u>36,256,893</u>	<u>557,122,298</u>
Governmental Activities				
Capital Assets, net	<u>\$ 853,346,439</u>	<u>\$ 156,417,401</u>	<u>\$ (67,290,945)</u>	<u>\$ 942,472,895</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Balance July 1, 2001	Additions	Retirements and Transfers	Balance June 30, 2002
Business-type Activities:				
Non-depreciable Assets:				
Land	\$ 59,349,722	\$ 3,311	\$ (55,386)	\$ 59,297,647
Water Rights	5,942,500	3,027,500		8,970,000
Construction-in-Progress	<u>146,641,360</u>	<u>55,186,742</u>	<u>(114,064,985)</u>	<u>87,763,117</u>
Total Non-depreciable Assets	211,933,582	58,217,553	(114,120,371)	156,030,764
Depreciable Assets:				
Buildings	29,123,654	287,663		29,411,317
Other Improvements	763,793,825	125,254,944	(43,928,274)	845,120,495
Machinery & Equipment	28,403,641	3,175,608	(4,701,336)	26,877,913
Excess of Cost over Net Assets				
Acquired	<u>13,982,586</u>			<u>13,982,586</u>
Total Depreciable Assets	835,303,706	128,718,215	(48,629,610)	915,392,311
Less Accum. Depr. & Amort. for:				
Buildings	(10,429,750)	(665,517)		(11,095,267)
Other Improvements	(191,166,305)	(16,616,169)	6,406,730	(201,375,744)
Machinery & Equipment	(20,388,017)	(2,726,720)	4,653,552	(18,461,185)
Excess of Cost over Net Assets				
Acquired	<u>(6,256,797)</u>	<u>(466,086)</u>		<u>(6,722,883)</u>
Total Accum. Depr. & Amort.	<u>(228,240,869)</u>	<u>(20,474,492)</u>	<u>11,060,282</u>	<u>(237,655,079)</u>
Total Depreciable Assets, net	<u>607,062,837</u>	<u>108,243,723</u>	<u>(37,569,328)</u>	<u>677,737,232</u>
Business-type Activities				
Capital Assets, net	<u>\$ 818,996,419</u>	<u>\$ 166,461,276</u>	<u>\$ (151,689,699)</u>	<u>\$ 833,767,996</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Governmental Activities construction in progress and related construction commitments are composed of the following:

	Construction in Progress	Commitments
Parks, Recreation & Cultural	\$ 19,549,914	\$ 3,146,435
Arts & Entertainment Center	15,166,061	2,749,995
Public Safety	6,822,272	5,992,386
Downtown/Community Revitalization	2,376,941	23,642
CAD System	18,692,892	1,136,818
Mesa City Plaza Remodel	87,523	5,415
Library Expansion	1,571,977	3,028,786
Computer Equipment	4,637,475	730,198
South Center Complex Remodel	2,909,188	
Utility Building	3,202,003	77,120
Streets	89,521,742	10,003,682
Transit	11,786,042	13,643,918
Storm Sewer	18,566,172	417,266
Warehouse, Maintenance and Services	880,633	
Miscellaneous	867,206	1,013,528
Total	<u>\$ 196,638,041</u>	<u>\$ 41,969,189</u>

Depreciation expense was charged to governmental functions in the government-wide financial statement as follows:

General Government	\$ 5,492,523
Public Safety	5,362,740
Cultural – Recreational	3,260,307
Community Environment	25,550,088
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>209,972</u>
Total Depreciation	<u>\$39,875,630</u>

1. **Excess of Cost Over Net Assets Acquired**

This item represents intangible assets acquired by the City in purchasing water and wastewater companies in past years. The intangible assets include water rights, plant capacity and the stream of revenues expected from present and future customers over the

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

lives of the tangible assets acquired. This intangible asset is amortized using the straight-line method over 30 years. The total of this asset and the accumulated amortization through June 30, 2002 was \$13,982,585 and \$6,722,883, respectively.

m. **Capitalization of Interest**

For the year ended June 30, 2002, the City capitalized net interest costs of \$4,521,602 (interest expense of \$4,984,233, reduced by interest income of \$462,631 in the Business-type Activities Enterprise Fund). Total interest expense and income in the Business-type Activities Enterprise Fund before capitalization was \$20,115,876 and \$2,320,573, respectively.

n. **Self-Insurance Internal Service Fund**

The Property and Public Liability, Workers' Compensation and Employee Benefit Internal Service Funds have been established to account for the costs of claims incurred by the City under self-insurance programs. The City is fully self-insured for all public liability risks, up to a maximum of \$2,000,000 per occurrence, for the current policy year under the Property and Public Liability Insurance program. In addition, the City carries full property insurance with a \$50,000 per occurrence deductible. Under the Workers' Compensation Program, the City is subject to a maximum deductible of \$300,000 liability per occurrence. The current policy went into effect July 2001. The maximum deductible per occurrence prior to this time was \$250,000. In the Employee Benefit Fund, the City has excess insurance coverage when total claims exceed 125 percent of the contracted projected claims for the policy year. Additionally, individual excess insurance applies when an individual's claims exceed \$150,000 per contract year. There were no changes in insurance coverage during this fiscal year for the Property & Public Liability Fund and the Employee Benefit Fund.

The various funds of the City include, as expenditures, amounts contributed to each of the self-insurance funds during the fiscal year. The Property and Public Liability and the Employee Benefit Self-Insurance Funds establish a liability for actuarially computed estimates for those claims incurred but not yet reported. The claims incurred but not reported in the Workers' Compensation Fund consist of actual claims reported during July 2002.

The Stop Loss Receivable balance for the Workers' Compensation Fund at June 30, 2002 is \$202,752 of which \$48,231 was established this current fiscal year. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$581,935 with \$213,707 received this current fiscal year. The Property and Public Liability Fund does not have a Stop Loss Receivable at June 30, 2002, however, the Fund has received \$153,815 over the past three fiscal years in settlements in excess of insurance coverage, none of it in this current fiscal year. The Stop Loss Receivable balance for the Employee Benefit Fund at June 30, 2002 is \$75,668 and was established this current fiscal year. Over the past three fiscal years the Fund has received settlements

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CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

in excess of insurance coverage of \$639,690 with \$87,640 received this current fiscal year.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	Property & Public Liability	Workers' Compensation	Employee Benefit	Total
Unpaid Claims, 7/1/00	\$ 6,967,262	\$ 7,602,534	\$ 1,307,701	\$ 15,877,497
Incurred Claims-FY 00-01	2,792,812	525,331	11,304,410	14,622,553
Claim Payments-FY 00-01	<u>(2,123,128)</u>	<u>(1,313,794)</u>	<u>(11,194,418)</u>	<u>(14,631,340)</u>
Unpaid Claims, 6/30/01	\$ 7,636,946	\$ 6,814,071	\$ 1,417,693	\$ 15,868,710
Incurred Claims-FY 01-02	\$ (355,719)	\$ 1,953,843	\$ 11,774,030	\$ 13,372,154
Claim Payments-FY 01-02	<u>(241,468)</u>	<u>(2,166,278)</u>	<u>(12,160,424)</u>	<u>(14,568,170)</u>
Unpaid Claims, 6/30/02	<u>\$ 7,039,759</u>	<u>\$ 6,601,636</u>	<u>\$ 1,031,299</u>	<u>\$ 14,672,694</u>

The negative incurred claims for fiscal year 2001-02 in the Property and Public Liability Self-Insurance Fund is the result of the decrease in the incurred but not reported liability.

o. **Compensated Absences**

Only the current portion of the accrued vacation and sick leave benefits payable are shown as a liability in the Payroll Agency Fund in the governmental fund financial statements. The entire amount of accumulated unpaid vested vacation pay is accrued in the Proprietary fund financial statements and the government-wide financial statement as incurred as well as an estimate for sick leave (see Note 10 for additional disclosure of sick leave balances).

p. **Statement of Cash Flows**

A statement of cash flows classifies cash receipts and payments according to whether they stem from operating, non-capital financing, capital and related financing, or investing activities.

For purposes of the statements of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. This includes repurchase agreements and all monies in the State Treasurer's

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CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Local Government Investment Pool due to the fact that the City may deposit or withdraw cash at any time without prior notice or penalty.

q. **Budgets and Budgetary Accounting**

Each year, the City Manager issues a budget calendar giving specific completion dates for various phases of the budget preparation process. The final adoption of the operating budget is by ordinance.

Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted by the City to obtain citizen comments.

Prior to June 30, the budget for the ensuing year is legally adopted through passage of an ordinance; these appropriations lapse at the end of each fiscal year.

Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget in total, and from the resolution itself that limits expenditures by fund and by departmental groupings. Transfers of sums within a specific fund or departmental group may be made upon City Manager approval.

The legally adopted budget consists of all funds except Agency, Property and Public Liability, Workers' Compensation, and Employee Benefit Self-Insurance. Capital Projects (both General Government and Proprietary) are budgeted as one item (as shown in Exhibit D-3). General Government debt service expenditures are budgeted in the General Fund and Special Revenue Funds. A Budget is established, however, for management purposes for the Employee Benefit Self-Insurance Fund.

Budget schedules for the major governmental funds (General and Highway User Revenue Fund) are presented in the Required Supplementary Section, and the Other Funds are located in the Supplementary Information Section.

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments. This limitation restricts the growth of expenditures to a percentage determined by population and inflation, with certain expenditures excluded from the limitation. The State Economic Estimates Commission determines and publishes, prior to April 1st of each year, the expenditure limitation for the following fiscal year for each governmental unit. Fiscal year 1979-80 is the base year for calculations.

Budgets for all funds are adopted in accordance with the requirements of the Arizona Constitution, Arizona Revised Statutes and the Mesa City Charter. There are certain differences between the basis used for budgetary purposes and that used for reporting in accordance with generally accepted accounting principles. For additional detail, see the

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CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

note to required supplementary information and the individual budget schedules in the Supplemental Information Exhibits.

Budgeted amounts are as originally adopted by the City Council on June 25, 2001.

r. **Contingency Services**

The principal purpose of a contingency is to cover any unforeseen expenditures which may arise after the budget is adopted, and to cover expenditures resulting from prior year encumbrances. It is impossible to estimate revenues exactly or to determine in a prior year the exact expenditure of each program or activity for the ensuing year. Thus a contingency is essential for budgetary purposes.

Any balance of a contingency appropriation not used during one fiscal year is available to help finance the following year's budget. The contingency applications are reflected in the budget basis financial statements for the fiscal year ended June 30, 2002 and are made in accordance with State Statutes.

2. RECONCILIATION OF GOVERNMENTAL FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE STATEMENTS

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual accounting basis. Reconciliations briefly explaining the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements immediately follow each fund financial statement. Additional reconciliations are provided on the next page.

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CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Reconciliation of Governmental Funds Balance Sheet and the government-wide Statement of
Net Assets:

	Total Governmental Funds	Long-term Assets/ Liabilities(1)	Internal Service Funds(2)	Reclassifications and Eliminations	Statement of Net Assets Total
Assets					
Cash and Cash Equivalents	\$ 124,764,511	\$	\$ 35,091,874	\$	\$ 159,856,385
Accounts Receivable, net	13,620,606		862,641		14,483,247
Interest Receivable	504,563		143,267		647,830
Due From Other Governments	17,373,980		16,462		17,390,442
Due From Other Funds	3,832,000		112,032	(3,832,000)	112,032
Inventories			3,658,345		3,658,345
Prepaid Costs	558,038		7,568		565,606
Deposits	1,607,289				1,607,289
Restricted Cash and Cash Equivalents	24,058,187				24,058,187
Restricted Accounts Receivable - Deferred	367,458				367,458
Unamortized Bond Issuance Costs		214,457			214,457
Capital Assets		937,650,476	4,822,419		942,472,895
Total Assets	<u>\$ 186,686,632</u>	<u>\$ 937,864,933</u>	<u>\$ 44,714,608</u>	<u>\$ (3,832,000)</u>	<u>\$ 1,165,434,173</u>
Liabilities					
Warrants Outstanding	\$ 5,208,832	\$	\$	\$	\$ 5,208,832
Accounts Payable	12,820,782		560,478		13,381,260
Other Accrued Expenses			14,672,694		14,672,694
Due To Other Funds	3,307,000		525,000	(3,832,000)	-
Customer and Defendant Deposits	4,606,363				4,606,363
Restricted Accounts Payable	11,210				11,210
Restricted Lease Interest Payable	443,771				443,771
Restricted Bond Interest Payable	6,611,552				6,611,552
Restricted Deferred Revenue	1,896,102	(367,458)			1,528,644
G.O. Bonds Payable - Current	14,223,402				14,223,402
M.D.C. Bonds Payable - Current	910,000				910,000
Capital Leases Payable - Current	1,410,000				1,410,000
Long-term Liabilities		301,506,938			301,506,938
Total Liabilities	<u>\$ 51,449,014</u>	<u>\$ 301,139,480</u>	<u>\$ 15,758,172</u>	<u>\$ (3,832,000)</u>	<u>\$ 364,514,666</u>
Fund Balance/Net Assets					
Total Fund Balance/Net Assets	<u>\$ 135,237,618</u>	<u>\$ 636,725,453</u>	<u>\$ 28,956,436</u>	<u>\$ -</u>	<u>\$ 800,919,507</u>
Total Liabilities and Fund Balance/Net Assets	<u>\$ 186,686,632</u>	<u>\$ 937,864,933</u>	<u>\$ 44,714,608</u>	<u>\$ (3,832,000)</u>	<u>\$ 1,165,434,173</u>

- (1) When capital assets (land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

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CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Costs of capital assets	\$1,202,502,131
Accumulated depreciation	<u>(264,851,655)</u>
	\$ <u>937,650,476</u>

Bond issuance costs are expended when incurred in governmental funds, but are deferred and amortized over the life of the bonds in the statement of net assets.

Unamortized bond issuance costs	\$ <u>214,457</u>
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities in the governmental fund statement.

Bonds payable	\$ 265,990,676
Capital leases	20,845,608
Compensated absences	14,354,315
Arbitrage rebate payable	<u>316,339</u>
	\$ <u>301,506,938</u>

Deferred revenue is affected by two changes. Deferred revenue for the long-term special assessment receivables and for the rehabilitation loan program shown on the governmental fund statements is not deferred on the statement of net assets.

Deferred special assessment revenue	\$ 144,417
Deferred rehabilitation loan revenue	<u>223,041</u>
	\$ <u>367,458</u>

- (2) Internal service funds are used by management to charge the costs of certain activities, such as fleet support, materials and supplies, printing and graphics, and self-insurance, to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets, but are not included on the governmental fund balance sheet.

Total	\$ <u>28,956,436</u>
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(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-wide Statement of Activities:

	Total Governmental Funds	Long-term Revenues/ Expenses(1)	Capital - Related Items(2)	Internal Service Funds(3)	Long-term Debt Transactions(4)	Eliminations and Adjustments(5)	Statement of Activities
Revenues and Other Sources							
Taxes	\$ 102,917,491	\$	\$	\$	\$	\$	\$ 102,917,491
Special Assessments	68,388	144,417					212,805
Licenses and Permits	17,441,330						17,441,330
Intergovernmental	144,899,946	223,041					145,122,987
Charges for Services	9,492,864						9,492,864
Contributions				5,031,780			5,031,780
Fines and Forfeitures	7,881,541						7,881,541
Investment Income	3,823,765			981,360			4,805,125
Miscellaneous	5,702,529	134,318		66,233			5,903,080
Other Sources:							
Capital Contributions			2,008,857				2,008,857
Transfers In	98,319,124		36,968,936			(38,319,124)	96,968,936
Proceeds From Bond Sales	51,309,318				(51,309,318)		-
Proceeds From Capital Leases	2,448,000				(2,448,000)		-
Proceeds From Refunding Issue	26,333,383				(26,333,383)		-
Total Revenues and Other Sources	<u>\$ 470,637,679</u>	<u>\$ 501,776</u>	<u>\$ 38,977,793</u>	<u>\$ 6,079,373</u>	<u>\$ (80,090,701)</u>	<u>\$ (38,319,124)</u>	<u>\$ 397,786,796</u>
Expenditures/Expenses							
Current:							
General Government	\$ 34,413,634	\$ 808,406	\$ 6,040,294	\$ 723,696	\$ (217,053)	\$	\$ 41,768,977
Public Safety	152,211,510	3,572,095	5,385,377	3,695,966	2,031		164,866,979
Cultural-Recreational	45,139,625	661,444	3,403,559	708,982	4,195		49,917,805
Community Environment	48,793,335	423,181	25,553,035	561,205	725		75,331,481
Debt Service:							
Principal Payments	20,844,687				(20,844,687)		-
Interest on Bonds	12,374,613						12,374,613
Interest on Capital Leases	1,107,715						1,107,715
Service Charges	98,891	(98,891)					-
Capital Outlay	90,516,208		(90,516,208)				-
Total Expenditures\Expenses	<u>\$ 405,500,218</u>	<u>\$ 5,366,235</u>	<u>\$ (50,133,943)</u>	<u>\$ 5,689,849</u>	<u>\$ (21,054,789)</u>	<u>\$ -</u>	<u>\$ 345,367,570</u>
Other Financing Uses/ Changes in Net Assets							
Transfers Out	38,779,124		7,689	(460,000)		(38,319,124)	7,689
Payment to Refunded Bond Escrow Agent	26,333,383				(26,333,383)		-
Total Expenditures\Expenses & Other Financing Uses	<u>470,612,725</u>	<u>5,366,235</u>	<u>(50,126,254)</u>	<u>5,229,849</u>	<u>(47,388,172)</u>	<u>(38,319,124)</u>	<u>345,375,259</u>
Net Change for the Year	<u>\$ 24,954</u>	<u>\$ (4,864,459)</u>	<u>\$ 89,104,047</u>	<u>\$ 849,524</u>	<u>\$ (32,702,529)</u>	<u>\$ -</u>	<u>\$ 52,411,537</u>

- (1) Revenues that are “unavailable” and do not provide current financial resources are not reported in the governmental funds. However, these revenues are reported in the statement of activities.

Special assessment revenue	\$ 144,417
Rehabilitation loan revenue	223,041
Total	<u>\$ 367,458</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Immaterial bond premiums on new bonds issued have been reclassified to miscellaneous revenues in the statement of activities.

Miscellaneous revenues	\$ 134,318
Total	<u>\$ 134,318</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrual of long-term compensated absences	\$ 5,366,235
Total	<u>\$ 5,366,235</u>

- (2) When capital assets that are to be used in the governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of the financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$90,516,208
Depreciation expense	<u>(39,665,659)</u>
Total	<u>\$50,850,549</u>

The net effect of miscellaneous transactions involving capital assets (donations, transfers and disposals) is to increase net assets.

Donation of capital assets	\$ 2,008,857
Loss on disposal of capital assets	(716,606)
Transfer of capital assets	<u>36,961,247</u>
Total	<u>\$38,253,498</u>

- (3) Internal service funds are used by management to charge the costs of certain activities, such as fleet support, materials and supplies, printing and graphics, and self-insurance, to the individual funds. The adjustments for internal service funds “close” those funds by charging the additional amounts to participating governmental activities to completely cover the internal service funds’ costs for the year.

Revenue and other sources	\$ 6,079,373
Expenditures and other uses	(5,689,849)
Transfers in	<u>460,000</u>
Change in net assets	<u>\$ 849,524</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

- (4) Bond and capital lease proceeds are reported as financing sources and the repayment of principal consumes financial resources in the governmental funds. Neither transaction has any effect on the statement of activities.

New debt issued (including refunded debt)	
General obligation bond proceeds	\$(51,774,976)
Revenue bond proceeds	(25,867,725)
Capital lease proceeds	(2,448,000)
Principal repayments	21,061,740
Payment to refunded bond escrow agent	<u>26,333,383</u>
Total	<u>\$(32,695,578)</u>

Governmental funds report bond issue costs, premiums and deferred loss relating to refunding when first issued. In the statement of activities these amounts are deferred and amortized.

Amortization of premium	\$ 30,041
Amortization of bond issue costs	(4,316)
Amortization of deferred loss	<u>(32,676)</u>
Total	<u>\$(6,951)</u>

- (5) Interfund transfers between governmental activities, other than Internal Service Funds, are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of transfers in and transfers out to eliminate the doubling up effect of these transactions within the governmental activities. Elimination of transfers to/from the Internal Service Funds is netted into the results of the Internal Service Funds in (3) above.

Transfers out	\$38,319,124
Transfers in	<u>(38,319,124)</u>
Total	<u>\$ 0</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

3. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 4, the City provides post-retirement health care benefits to all retirees in accordance with the compensation plan adopted by the City Council each fiscal year. These benefits include medical, dental and vision insurance programs. As of June 30, 2002 approximately 770 former employees were eligible for these benefits.

The benefits provided by the group health insurance are the same as those offered to active employees. Retirees may select single or family coverage and are offered three health insurance plans: Participation in the City's self-insurance plan, where 80 percent of the amount of validated claims are reimbursed, or health maintenance organization (HMO) plan.

The City's cost for retiree health insurance for the fiscal year ended June 30, 2002 was \$2,394,361. This cost represents actual claims paid for retirees under the self-insurance program and premiums paid to HMO and vision care providers; net of contributions received from retirees and retirement systems.

4. RETIREMENT AND PENSION PLANS

All full-time employees of the City are covered by one of three pension plans. The State Retirement System is for the benefit of the employees of the state and certain other governmental jurisdictions. All full-time City employees, except fire and police personnel, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All police and fire personnel participate in the Public Safety Retirement System that is an agent multiple-employer plan. In addition, the Mayor and Councilmembers contribute to the State's Elected Officials plan that is also a multiple-employer cost-sharing pension plan.

Arizona State Retirement System:

a. **Plan Description**

All the City's full-time general employees participate in the Arizona State Retirement System ("System"), a multiple-employer, cost-sharing defined benefit pension plan. The System was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5 of the Arizona Revised Statutes. The System provides for retirement, disability, and death and survivor benefits. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Arizona State Retirement System, 3300 N. Central Avenue, Suite 1300, Phoenix, Arizona, 85012 or by calling 1-800-621-3778.

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CITY OF MESA, ARIZONA
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b. **Funding Policy**

Covered employees were required by state statute to contribute 2.49 percent of their salary to the System during fiscal year 2000-01 and the City was required to match it. The Arizona Revised Statutes (“A.R.S.”) provide statutory authority for determining the employees’ and employers’ contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to legislate a contribution rate other than the actuarially determined rate. The City’s contributions to the System for the years ending June 30, 2002, 2001 and 2000 were \$3,244,291, \$3,003,017 and \$2,713,413, respectively, equal to the required contributions for each year. The City’s employees contributed equal amounts to the Plan for the same time period.

Elected Officials Retirement Plan:

a. **Plan Description**

The City’s Mayor and Councilmembers participate in the Elected Officials Retirement System (“EORP”) a multiple employer, cost-sharing defined benefit pension plan. The Fund Manager of the Public Safety Personnel Retirement System (“PSPRS”) is the administrator for the EORP that was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain city elected officials. EORP provides retirement benefits as well as death and disability benefits. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 1020 East Missouri Avenue, Phoenix, Arizona, 85014 or by calling 602-255-5575.

b. **Funding Policy**

The retirement plan’s funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 7 percent of their annual covered salary. The employer rate for 2001-02 was 6.97 percent. The City’s contributions to EORP for the fiscal years ending June 30, 2002, 2001 and 2000 were \$10,374, \$13,638 and \$7,849, respectively, equal to the required contributions for each year. The City’s employees contributed \$10,419, \$9,341 and \$5,376 for the same time period.

Public Safety Personnel Retirement System:

a. **Plan Description**

The City contributes to the Public Safety Personnel Retirement System (“PSPRS”), an agent multiple-employer public safety employee retirement system that acts as a common

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CITY OF MESA, ARIZONA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2002

investment and administrative agent for the various fire and police agencies within the state. All police and fire personnel are eligible to participate in the plan. The plan provides retirement and disability benefits, and death benefits to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 162 Local Boards and was established by Title 38, Chapter 5 Article 4 of the Arizona Revised Statutes. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Public Safety Personnel Retirement System, 1020 East Missouri, Phoenix, Arizona, 85014 or by calling 602-255-5575.

b. **Funding Policy**

PSPRS members are required to contribute 7.65 percent of their annual covered salary and the City is required to contribute an actuarially determined rate. The rate for 2001-02 was 2.91 percent for fire personnel and 6.48 percent for police members. Benefit and contribution provisions are established by state law and may be amended only by the State of Arizona Legislature. (A.R.S. Section 38-843)

c. **Annual Pension Cost**

Police personnel contributed \$3,707,659 and fire personnel \$1,850,081 during fiscal year 2001-02. For 2002, the City's annual pension cost of \$3,144,195 for police and \$710,269 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return, (b) projected salary increases of 6.5 percent per year compounded annually attributable to inflation and other across-the-board increases, (c) additional projected salary increases ranging from 0.0 percent to 3.0 percent per year, attributable to seniority/merit. The actuarial value of PSPRS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. PSPRS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2000 was 20 years.

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CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

d. **Three Year Trend Information for PSPRS** (Latest Available Information):

Police

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1999	\$ 3,024,401	100 %	\$ -0-
2000	3,349,090	100	-0-
2001	2,989,979	100	-0-

Fire

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1999	\$ 735,222	100 %	\$ -0-
2000	1,103,914	100	-0-
2001	496,447	100	-0-

e. **Required Supplementary Information**

Schedule of Funding Progress (Latest Information Available):

POLICE

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
1996	\$ 88,796,871	\$ 86,487,738	102.7%	\$ (2,309,133)	\$ 27,244,348	- %
1997	107,257,407	96,853,824	110.7%	(10,403,583)	30,118,564	-
1998	120,765,775	108,157,318	111.7%	(12,608,457)	32,659,519	-
1999	143,165,304	119,519,031	119.8%	(23,646,273)	34,913,388	-
2000	168,065,424	138,558,410	121.3%	(29,507,014)	41,356,041	-
2001	187,280,489	151,987,452	123.2%	(35,293,037)	44,675,271	-

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CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
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FIRE

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
1996	\$ 64,501,566	\$ 54,347,247	118.7%	\$ (10,154,319)	\$ 14,785,955	- %
1997	76,602,958	60,384,792	126.9%	(16,218,166)	15,573,320	-
1998	84,034,496	69,351,133	121.2%	(14,683,363)	17,324,713	-
1999	98,666,741	78,166,154	126.2%	(20,500,587)	19,069,238	-
2000	115,297,435	88,631,745	130.1%	(26,665,690)	20,882,521	-
2001	127,968,471	96,981,661	132.0%	(30,986,810)	23,072,687	-

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CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

5. LONG-TERM OBLIGATIONS

a. Changes in Long-Term Obligations

The following is a summary of changes in general long-term obligations.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 175,433,951	\$ 50,127,675	\$ (45,878,039)	\$ 179,683,587	
Municipal Development Corp. Bonds	22,315,000		(10,390,000)	11,925,000	
Highway User Revenue Bonds	46,900,000	25,800,000		72,700,000	
Special Assessment Bonds with Governmental Commitment	329,000		(112,000)	217,000	\$ 84,000
Total Bonds Payable	<u>244,977,951</u>	<u>75,927,675</u>	<u>(56,380,039)</u>	<u>264,525,587</u>	<u>84,000</u>
Capital Leases	25,238,893	2,448,000	(6,841,285)	20,845,608	2,666,122
Rebatable Arbitrage	498,392		(182,053)	316,339	316,339
Unamortized Bond Premium		1,495,130	(30,041)	1,465,089	
Compensated Absences	<u>8,988,080</u>	<u>5,366,235</u>		<u>14,354,315</u>	
Governmental Activities Total	<u>\$ 279,703,316</u>	<u>\$ 85,237,040</u>	<u>\$ (63,433,418)</u>	<u>\$ 301,506,938</u>	<u>\$ 3,066,461</u>
Business-type Activities:					
Bonds Payable:					
Utility System Revenue Bonds	\$ 283,549,606	\$ 186,950,000	\$ (124,823,741)	\$ 345,675,865	
General Obligation Bonds	69,028,384	1,320,000	(47,275,652)	23,072,732	
Municipal Development Corp. Bonds	<u>24,600,000</u>		<u>(4,000,000)</u>	<u>20,600,000</u>	<u>\$ 800,000</u>
Total Bonds Payable	<u>377,177,990</u>	<u>188,270,000</u>	<u>(176,099,393)</u>	<u>389,348,597</u>	<u>800,000</u>
Notes Payable	1,484,952		(129,484)	1,355,468	136,808
Capital Leases	14,853,400		(2,712,870)	12,140,530	2,836,040
Unamortized Bond Premium	1,077,308	8,451,670	(445,371)	9,083,607	
Rebatable Arbitrage	<u>98,886</u>	<u>4,555</u>	<u>(103,441)</u>		
Business-type Activities Total	<u>\$ 394,692,536</u>	<u>\$ 196,726,225</u>	<u>\$ (179,490,559)</u>	<u>\$ 411,928,202</u>	<u>\$ 3,772,848</u>

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CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

b. **Bonds Payable**

At June 30, 2002, long term bonds payable consisted of:

Classified in Governmental activities on the government-wide financial statements:

General Obligation Bonds

\$45,238,014 1992 general obligation refunding serial bonds, due in annual principal installments ranging from \$1,102,789 to \$8,325,347, plus semi-annual interest ranging from 2.80 percent to 5.70 percent (5.30 percent effective rate) through July 1, 2003.	\$ 5,273,021
\$26,015,740 1993 general obligation refunding serial bonds, due in annual principal installments ranging from \$101,506 to \$10,624,347, plus semi-annual interest ranging from 2.40 percent to 7.90 percent (5.02 percent effective rate) through July 1, 2003.	10,625,247
\$20,060,000 1995 general obligation serial bonds (partially refunded by general obligation refunding bonds, series 2002), due in annual principal installments ranging from \$360,000 to \$9,500,000, plus semi-annual interest ranging from 5.25 percent to 6.75 percent (5.33 percent effective rate) through July 1, 2010.	1,560,000
\$24,000,000 1997 general obligation serial bonds, due in annual principal installments ranging from \$6,650,000 to \$10,350,000, plus semi-annual interest ranging from 5.0 percent to 6.50 percent (5.36 percent effective rate) through July 1, 2011.	24,000,000
\$30,000,000 1998 general obligation serial bonds, due in annual principal installments ranging from \$2,000,000 to \$28,000,000, plus semi-annual interest ranging from 5.00 percent to 6.75 percent (5.05 percent effective rate) through July 1, 2018.	30,000,000
\$18,100,000 1998 general obligation refunding serial bonds, due in annual principal installments ranging from \$105,000 to \$16,875,000, plus semi-annual interest ranging from 3.65 percent to 4.50 percent (4.43 percent effective rate) through July 1, 2008.	17,635,000
\$11,459,000 1999 general obligation serial bonds (partially refunded by utility systems revenue refunding bonds, series 2002 and by general obligation refunding bonds, series 2002), due in annual principal installments ranging from \$702,225 to \$2,262,725, plus semi-annual interest ranging from 5.00 percent to 6.50 percent (5.54 percent effective rate) through July 1, 2018.	5,619,000
\$36,500,000 2000 general obligation serial bonds, due in annual principal installments ranging from \$2,500,000 to \$4,250,000, plus semi-annual interest ranging from 5.00 percent to 6.50 percent (5.21 percent effective rate) through July 1, 2019.	36,500,000
\$25,375,000 2002 general obligation serial bonds, due in annual principal installments ranging from \$1,670,900 to \$2,625,700, plus semi-annual interest ranging from 4.50 percent to 6.00 percent (4.81 percent effective rate) through July 1, 2020.	25,375,000

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CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

\$24,720,000 2002 general obligation refunding serial bonds, due in annual principal installments ranging from \$54,730 to \$9,498,229, plus semi-annual interest ranging from 2.75 percent to 5.375 percent (5.10 percent effective rate) through July 1, 2015. 23,096,319

Total General Obligation Bonds **\$179,683,587**
 Deferred loss on advanced refunding 1,623,681
 Total General Obligation Bonds not including deferred loss on advanced refunding **\$181,307,268**

Municipal Development Corp. Bonds

\$6,545,000 1993 (amended) City of Mesa Municipal Development Corp. municipal facilities bonds, due in annual principal installments ranging from \$115,000 to \$1,000,000, plus semi-annual interest ranging from 3.20 percent to 4.50 percent (4.28 percent effective rate) through July 1, 2004. \$ 1,955,000

\$10,000,000 1996 City of Mesa Municipal Development Corp. special tax updates bonds, series 1996B, due in annual principal installments ranging from \$700,000 to \$2,400,000, plus semi-annual interest at variable rates as is necessary to remarket the bonds, through October 15, 2016. 9,970,000

Total Municipal Development Corp. Bonds **\$ 11,925,000**

Street and Highway User Revenue Bonds

\$19,000,000 1997 street and highway user revenue bonds, due in annual principal installments ranging from \$1,650,000 to \$2,500,000, plus semi-annual interest ranging from 4.80 percent to 6.75 percent (5.09 percent effective rate) through July 1, 2017. \$ 19,000,000

\$7,900,000 1999 street and highway user revenue bonds, due in annual principal installments ranging from \$725,000 to 1,125,000, plus semi-annual interest ranging from 5.00 percent to 6.50 percent (5.46 percent effective rate) through July 1, 2017. 7,900,000

\$20,000,000 2000 street and highway user revenue bonds, due in annual principal installments ranging from \$1,500,000 to \$2,500,000, plus semi-annual interest ranging from 5.00 percent to 6.50 percent (5.28 percent effective rate) through July 1, 2019. 20,000,000

\$25,800,000 2002 street and highway user revenue bonds, due in annual principal installments ranging from \$800,000 to \$8,000,000, plus semi-annual interest ranging from 4.75 percent to 6.25 percent (5.00 percent effective rate) through July 1, 2020. 25,800,000

Total Street and Highway User Revenue Bonds **\$ 72,700,000**

Special Assessment Bonds (payable from special assessments levied on the benefited properties)

\$723,668 1993 special assessment district bonds, due in annual principal installments ranging from \$72,000 to \$73,000, plus semi-annual interest of 6.00 percent, through January 1, 2004. \$ 145,000

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CITY OF MESA, ARIZONA
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\$40,127 1996 special assessment district bonds, due in annual principal installments ranging from \$4,000 to \$4,127, plus semi-annual interest of 6.25 percent, through January 1, 2006. 16,000

\$77,976 1999 special assessment district bonds, due in annual principal installments ranging from \$6,976 to \$8,000, plus semi-annual interest of 6.00 percent, through January 1, 2009. 56,000

Total Special Assessment Bonds \$ **217,000**

Total bonds payable recorded in governmental activities **\$264,525,587**

Classified in Business-type activities on the government-wide financial statements:

General Obligation Bonds

\$50,341,986 1992 general obligation refunding serial bonds, due in annual principal installments ranging from \$1,227,221 to \$9,264,653, plus semi-annual interest ranging from 2.80 percent to 5.70 percent (5.30 percent effective rate) through July 1, 2003. \$ 5,861,979

\$8,584,260 1993 general obligation refunding serial bonds, due in annual principal installments ranging from \$33,494 to \$3,406,743, plus semi-annual interest ranging from 2.40 percent to 7.90 percent (5.02 percent effective rate) through July 1, 2003. 3,504,753

\$27,041,000 1999 general obligation serial bonds (partially refunded by 2002 utility systems revenue refunding bonds and 2002 general obligation refunding bonds), due in annual principal installments ranging from \$1,547,775 to \$4,987,275, plus semi-annual interest ranging from 5.00 percent to 6.50 percent (5.54 percent effective rate) through July 1, 2018. 12,386,000

\$1,200,000 2002 general obligation serial bonds, due in annual principal installments ranging from \$79,100 to \$124,300, plus semi-annual interest ranging from 4.50 percent to 6.00 percent (4.81 percent effective rate) through July 1, 2020. 1,200,000

\$120,000 2002 general obligation refunding serial bonds, due in annual principal installments ranging from \$270 to \$46,771, plus semi-annual interest ranging from 2.75 percent to 5.375 percent (5.10 percent effective rate) through July 1, 2015. 120,000

Total General Obligation Bonds \$ **23,072,732**

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Municipal Development Corp. Bonds

\$20,600,000 2001 City of Mesa Municipal Development Corp., excise tax revenue refunding bonds, series 2001 serial bonds, due in annual principal installments ranging from \$800,000 to \$5,100,000, plus semi-annual interest ranging from 3.50 percent to 4.25 percent (4.03 percent effective rate) through January 1, 2008. \$ 20,600,000

Total Municipal Development Corp. Bonds \$ 20,600,000

Utility Systems Revenue Bonds

\$40,000,000 1995 utility systems revenue serial bonds (partially refunded by 2002 utility systems revenue refunding bonds), due in annual principal installments ranging from \$7,000,000 to \$9,000,000, plus semi-annual interest ranging from 5.125 percent to 7.125 percent (5.62 percent effective rate) through July 1, 2015. \$ 16,000,000

\$26,400,000 1995 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$4,450,000 to \$13,700,000, plus semi-annual interest ranging from 4.50 percent to 6.25 percent (4.86 percent effective rate) through July 1, 2004. 21,816,500

\$94,730,000 1997 utility systems revenue serial bonds (partially refunded by 1998 and 2002 utility systems revenue refunding bonds), due in annual principal installments ranging from \$11,000,000 to \$24,300,000, plus semi-annual interest ranging from 5.25 percent to 7.25 percent (5.62 percent effective rate) through July 1, 2017. 11,000,000

\$34,600,000 utility systems revenue serial bonds, due in annual principal installments ranging from \$1,000,000 to \$4,500,000, plus semi-annual interest ranging from 4.50 percent to 6.50 percent (4.89 percent effective rate) through July 1, 2018. 34,600,000

\$32,500,000 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$175,000 to \$18,600,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent (4.67 percent effective rate) through July 1, 2013. 30,178,620

\$69,200,000 utility systems revenue serial bonds (partially refunded by 2002 utility systems revenue refunding bonds), due in annual principal installments ranging from \$4,200,000 to \$8,000,000, plus semi-annual interest ranging from 5.00 percent to 6.50 percent (5.26 percent effective rate) through July 1, 2019. 51,450,000

\$57,950,000 utility systems revenue serial bonds, due in annual principal installments ranging from \$950,000 to \$18,000,000, plus semi-annual interest ranging from 4.25 percent to 5.75 percent (5.03 percent effective rate) through July 1, 2021. 57,950,000

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CITY OF MESA, ARIZONA
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\$129,000,000 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$60,000 to \$29,550,000, plus semi-annual interest ranging from 3.00 percent to 5.25 percent (4.75 percent effective rate) through July 1, 2017.

122,680,745

Total Utility Systems Revenue Bonds	\$345,675,865
Deferred loss on advanced refundings	<u>8,199,135</u>
Total Utility System Revenue Bonds not including deferred loss on advanced refundings	<u>353,875,000</u>

Total bonds payable recorded in business-type activities **\$389,348,597**

The following tables summarize the City's debt service requirements to maturity for its long term bonds payable at June 30, 2002. The Municipal Development Corporation variable rate debt issue and the deferred loss amounts on advanced refundings are not included.

Governmental Activities

General Obligation Bonds				Highway User Revenue Bonds		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 16,033,268	\$ 9,311,427	\$ 25,344,695	\$	\$ 3,793,944	\$ 3,793,944
2004	554,730	8,474,409	9,029,139		3,793,944	3,793,944
2005	579,730	8,443,004	9,022,734		3,793,944	3,793,944
2006	619,706	8,409,941	9,029,647		3,793,944	3,793,944
2007	659,706	8,374,291	9,033,997		3,793,944	3,793,944
2008-2012	82,512,470	31,514,114	114,026,584	17,975,000	17,622,395	35,597,395
2013-2017	34,195,703	16,619,774	50,815,477	31,725,000	10,686,913	42,411,913
2018-2020	<u>46,151,955</u>	<u>2,855,430</u>	<u>49,007,385</u>	<u>23,000,000</u>	<u>2,298,500</u>	<u>25,298,500</u>
TOTALS	<u>\$ 181,307,268</u>	<u>\$ 94,002,390</u>	<u>\$ 275,309,658</u>	<u>\$ 72,700,000</u>	<u>\$ 49,577,528</u>	<u>\$ 122,277,528</u>

Municipal Development Corporation Bonds				Special Assessment Bonds		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 955,000	\$ 87,020	\$ 1,042,020	\$ 84,000	\$ 10,535	\$ 94,535
2004	1,000,000	45,000	1,045,000	85,000	5,455	90,455
2005				12,000	2,535	14,535
2006				12,000	1,805	13,805
2007				8,000	1,200	9,200
2008-2009				<u>16,000</u>	<u>960</u>	<u>16,960</u>
TOTALS	<u>\$ 1,955,000</u>	<u>\$ 132,020</u>	<u>\$ 2,087,020</u>	<u>\$ 217,000</u>	<u>\$ 22,490</u>	<u>\$ 239,490</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Business-type Activities

Fiscal Year	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 9,366,732	\$ 1,243,047	\$ 10,609,779	\$ 8,475,000	\$ 18,756,781	\$ 27,231,781
2004	270	733,470	733,740	14,010,000	18,368,281	32,378,281
2005	270	733,463	733,733	310,000	17,499,981	17,809,981
2006	294	733,453	733,747	340,000	17,487,656	17,827,656
2007	294	733,443	733,737	340,000	17,474,091	17,814,091
2008-2012	3,527,530	3,124,269	6,651,799	83,010,000	80,141,296	163,151,296
2013-2017	4,829,297	2,441,089	7,270,386	178,140,000	45,532,751	223,672,751
2018-2021	5,348,045	283,320	5,631,365	69,250,000	8,919,688	78,169,688
TOTALS	\$ 23,072,732	\$ 10,025,554	\$ 33,098,286	\$ 353,875,000	\$ 224,180,525	\$ 578,055,525

**Municipal Development
 Corporation Bonds**

Fiscal Year	Principal	Interest	Total
2003	\$ 800,000	\$ 823,250	\$ 1,623,250
2004	2,900,000	751,250	3,651,250
2005	3,400,000	625,250	4,025,250
2006	3,900,000	479,250	4,379,250
2007	4,500,000	309,000	4,809,000
2008	5,100,000	108,375	5,208,375
TOTALS	\$ 20,600,000	\$ 3,096,375	\$ 23,696,375

Special Assessment Bonds

The City acts as trustee for special assessment districts whereby it collects the assessments levied against owners of property within established districts and disburses the amounts so collected to retire the bonds issued to finance the improvements. At June 30, 2002, the special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, is adequate for the scheduled maturities of the bonds payable and the related interest.

Improvement bonds are collateralized by properties within the districts. In the event of default by the property owner, the City may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds. Special assessment bonds payable with governmental commitment currently outstanding as of June 30, 2002 are \$217,000.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

General Obligation Bonds

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$23,072,732 of these bonds at June 30, 2002 are carried as a long term liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

All bonds, except Special Assessment Bonds, are callable by the City at various dates and at various premiums.

The Arizona Constitution provides that the general obligation bonded indebtedness of a city for general municipal purposes may not exceed 6 percent of the secondary assessed valuation of the taxable property in that city. In addition to the 6 percent limitation for general municipal purpose bonds, cities may issue general obligation bonds up to an additional 20 percent of the secondary assessed valuation for supplying such city with water, artificial light or sewers, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreation facilities.

The total debt margin available July 1, 2002 is:

6% Bonds	\$ 48,089,692
20% Bonds	<u>338,313,976</u>
Total Available	<u>\$386,403,668</u>

City revenue bond indenture ordinances require that the net amount of revenues of the electric, gas, water, wastewater and solid waste systems (total revenues less operations and maintenance expenses) equal 120 percent of the principal and interest requirement in each fiscal year. The above covenant and all other bond covenants have been met.

c. **Reserves for Bond Indentures**

Pursuant to the provisions of the Bond Resolution of the City of Mesa Utility System Revenue and Refunding bonds, Replacement and Reserve Funds are required to be established, into which a sum equal to 2 percent of the gross revenues – as determined on a modified accrual basis – must be deposited until a sum equal to two percent of all tangible assets of the Utility System is accumulated. As of June 30, 2002, the amount provided in the Replacement and Extension Funds equaled \$1,396,582 that is in compliance with the bond provisions.

d. **Notes Payable**

The City has entered into two separate loan agreements with the State of Arizona Department of Transportation Aeronautics Division State Aviation Fund for the construction of T-Hangars at the airport. The interest rate on the notes is 5.03 and 6.02 percent.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

The following table reflects the annual requirements to amortize all notes outstanding as of June 30, 2002, as presented in the business-type activities.

Fiscal Year				
Ending June 30	Principal	Interest	Total	
2003	\$ 136,808	\$ 74,068	\$ 210,876	
2004	144,549	66,326	210,875	
2005	152,733	58,142	210,875	
2006	161,385	49,491	210,876	
2007	170,530	40,345	210,875	
2008-2012	589,463	85,796	675,259	
Total	<u>\$ 1,355,468</u>	<u>\$ 374,168</u>	<u>\$ 1,729,636</u>	

e. **Lease Obligations**

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2002:

	Governmental Activities			Business-type Activities		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 4,161,122	\$ 969,281	\$ 5,130,403	\$ 2,836,040	\$ 513,740	\$ 3,349,780
2004	3,675,142	765,498	4,440,640	2,964,816	384,964	3,349,780
2005	3,096,983	594,861	3,691,844	3,099,454	250,326	3,349,780
2006	2,655,647	465,117	3,120,764	3,240,220	109,560	3,349,780
2007	2,786,714	340,347	3,127,061			-
2008-2010	4,470,000	277,274	4,747,274			-
TOTALS	<u>\$ 20,845,608</u>	<u>\$ 3,412,378</u>	<u>\$ 24,257,986</u>	<u>\$ 12,140,530</u>	<u>\$ 1,258,590</u>	<u>\$ 13,399,120</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

The assets acquired through capital leases are as follows:

	Governmental Activities	Business- Type Activities
Asset:		
Land	\$ 10,889,188	\$
Buildings	2,162,025	
Other Improvements	641,531	
Machinery & Equipment	6,866,791	
Infrastructure	85,936	
Construction Work in Process	3,061,088	11,222,855
Less: Accumulated depreciation	<u>(1,623,584)</u>	
Total	<u>\$ 22,082,975</u>	<u>\$ 11,222,855</u>

f. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2002.

6. **DEMAND BONDS**

On April 12, 1996, the City entered into a lease purchase agreement with the City of Mesa Municipal Development Corporation for the acquisition, renovation and construction of major league baseball spring training facilities, including a stadium, practice fields and other related improvements. The City, in turn, has entered into a long-term agreement with the Chicago National Ball Club Inc. to provide the spring training facilities for the Chicago Cubs.

The facilities were financed by the City of Mesa Municipal Development Corporation and the Maricopa County Stadium District (the "District") at a total cost of approximately \$27,000,000. The City of Mesa and the District have entered into an Intergovernmental Agreement (the "IGA") pursuant to which the District has agreed to fund the lesser of two-thirds of the project costs or \$17,000,000. The City's contribution of \$10,000,000 was funded by the issuance of Series A 1996 Bonds by the City of Mesa Municipal Development Corporation. The Series A Bonds are secured solely by the City's obligation to make payments under the lease and its pledge of City excise taxes to secure such obligation.

The Series A Bonds, hereafter referred to as the bonds, are remarketed by its remarketing agent, Merrill Lynch Capital Markets, at an annual interest rate necessary to market such bonds at a price equal to 100 percent of the principal amount thereof, not to exceed 15 percent.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

The repayment of these bonds, assuming the interest rate of 1.44 percent at June 30, 2002, is as follows:

Fiscal Year			
Ending June 30	Principal	Interest	Total
2003	\$	\$ 143,568	\$ 143,568
2004		143,568	143,568
2005		143,568	143,568
2006		143,568	143,568
2007		143,568	143,568
2008-2012	5,970,000	525,762	6,495,762
2013-2017	4,000,000	132,000	4,132,000
Total	\$ <u>9,970,000</u>	\$ <u>1,375,602</u>	\$ <u>11,345,602</u>

If the remarketing agent is unable to remarket the bonds, the Municipal Development Corporation has provided a standby purchase agreement through an irrevocable letter of credit issued by the Westdeutsche Landesbank Girozentrale, New York Branch, which will permit the trustee, Texas Commerce Bank, to make drawings thereunder for an amount equal to the principal of the bonds and up to 406 days interest on the outstanding bonds at a rate not to exceed 15 percent per annum.

The annual fee for the letter of credit is .24 percent per annum of the maximum amount available under the agreement. The agreement expires on the earlier of January 31, 2006 or the occurrence of certain specified events. As of June 30, 2002, there were no draws outstanding under this letter of credit. Additionally, there have been no bonds presented for debt service payments on the letter of credit facility.

If the standby financing agreement were to be exercised because the outstanding principal of \$9,970,000 could not be remarketed, the maximum debt service requirements would be \$11,633,488.

7. REFUNDING BONDS

On February 7, 2002, the City issued \$129,000,000 of utility system revenue bonds with an original issue premium of \$8,451,670 to advance refund \$14,655,000 of outstanding general obligation bonds that were issued for utility system purposes and \$113,980,000 of outstanding utility system revenue bonds. The refunding bonds were issued with an average interest rate of 4.73 percent. The net proceeds of \$136,118,228 (after payment of \$1,333,442 to the City) were provided to a refunding escrow agent to pay issuance costs of \$949,762 for insurance premiums, underwriting fees and other issuance costs with the remaining \$135,168,466 used to provide cash and purchase United States Government securities. The

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7,866,908. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2017 using the effective-interest method. The purpose of the refunding was to take advantage of lower interest rates thereby reducing future debt service payments by the City. The refunding will reduce debt service payments by 3,903,612 over the next 16 years producing an economic gain (difference between the present value of old and new debt service payments) of \$3,375,461.

On April 11, 2002, the City issued \$24,840,000 of general obligation bonds with an original issue premium of \$1,495,130 to refund \$120,000 of outstanding general obligation bonds and to advance refund \$24,340,000 of outstanding general obligation bonds. The refunding bonds were issued at an average interest rate of 4.27 percent. The net proceeds of \$26,116,357 (after payment of \$218,773 of insurance premiums, underwriting fees and other issuance costs) were used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the debt of the City.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,656,357. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2015 using the effective-interest method. The purpose of the refunding was to take advantage of lower interest rates thereby reducing future debt service payments by the City. The refunding will reduce debt service payments by \$742,074 over the next 14 years producing an economic gain (difference between the present value of old and new debt service payments) of \$733,544.

8. LIABILITIES TO BE PAID FROM ASSETS HELD IN ESCROW

Liabilities to be paid from assets held in escrow include bonded debt of the City that has been provided for through an Advanced Refunding Bond Issue. Under an Advanced Refunding Arrangement, Refunding Bonds are issued and the net proceeds, plus additional resources which may be required, are used to purchase securities issued or guaranteed by the United States Government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

In accordance with GASB Statement No. 7, the refunded debt outstanding at June 30, 2002 as reflected below is not included in the City's financial statements.

General Obligation Refunding Bond Issue dated November 1, 1991	\$ 120,000
General Obligation Bond Issue dated April 1, 1993	35,000,000
Utility Systems Revenue Bond Issue dated September 1, 1995	24,000,000
General Obligation Bond Issue dated December 1, 1995	18,500,000
Utility System Revenue Bond Issue dated April 1, 1997	83,730,000
General Obligation Bond Issue dated November 1, 1999	20,495,000
Utility System Revenue Bond Issue dated November 1, 2000	<u>17,750,000</u>
Total Refunded Bonds Outstanding	<u>\$199,595,000</u>

9. CAPITAL CONTRIBUTIONS

During the year, external capital contributions consisted of the following:

	<u>Property Owners</u>	<u>Governmental Agencies</u>	<u>Developers</u>	<u>Total</u>
Governmental Activities:				
Federal Grants	\$	\$ 2,495,118	\$	\$ 2,495,118
State Grants		100,922		100,922
Contributions - Storm Sewer System			2,008,857	2,008,857
Special Assessments	212,805			212,805
Total	<u>212,805</u>	<u>2,596,040</u>	<u>2,008,857</u>	<u>4,817,702</u>
Business-Type Activities:				
Federal Grants		506,485		506,485
State Grants		1,230,383		1,230,383
Developers - Impact and Development Fees			8,189,644	8,189,644
Developers - Contributions-In-Aid			831,519	831,519
Contributions - Mains and Lines			14,299,629	14,299,629
Intergovernmental Agreements		13,886		13,886
Total	<u>\$</u>	<u>\$ 1,750,754</u>	<u>\$ 23,320,792</u>	<u>\$ 25,071,546</u>

In addition, during the year existing capital assets were transferred between governmental and business-type activities that are also recorded as capital contributions to Governmental

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Activities in the Proprietary funds financial statements; and as a transfer in the government-wide statement of activities. Capital assets with a book value of \$7,689 were transferred to the Enterprise Fund and capital assets with a book value of \$36,968,936 were transferred from the Enterprise Fund.

10. COMMITMENTS AND CONTINGENT LIABILITIES

a. **Pending Litigation**

The City is subject to a number of lawsuits, investigations, and other claims (some of which involve substantial amounts) that are incidental to the ordinary course of its operations, including those related to wrongful death and personal injury matters. Although the City Attorney does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon the settlement of such claims and lawsuits, some claims could be significant to the City's operations. While the ultimate resolution of such lawsuits, investigations, and claims cannot be determined at this time, in the opinion of City management, based on the advice of the City Attorney, the resolution of these matters will not have a material adverse effect on the City's financial position.

b. **Sick Leave Benefits**

Sick leave benefits provided for ordinary sick pay are not vested with the employee. Fifty percent of unused benefits are payable only upon retirement of an employee. In accordance with this criteria, sick leave paid within 60 days of the year end has been recorded as a liability in the Payroll Agency Fund in the governmental fund financial statements. Long-term liabilities of governmental funds are not shown on the fund financial statements. In the government-wide financial statements as well as the Proprietary Fund financial statements an amount of sick pay estimated to be paid to employees has been expensed in the appropriate funds and the liability is shown in the Payroll Agency Fund. These amounts have been calculated based on the vested method.

The total sick leave balance at June 30, 2002, was \$34,425,778 of which \$7,173,291 is recorded as a liability.

11. CONDUIT DEBT

In April 2001, the City issued Highway Project Advancement Notes (the Notes) to provide advance funding to accelerate the construction of a portion of Arizona State Route 202 within the City boundaries and to fund the costs associated with the issuance of the Notes.

The City has entered into an intergovernmental agreement with the State that provides for repayment by the State to the City of the full amount from approximately July 2002 to April 2003.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

The Notes do not constitute a debt or a charge against the general credit or taxing power of the City. Accordingly, the Notes are not reported as liabilities in the accompanying financial statements.

The City and the State share in the cost of any interest payments resulting from the advance funding for the construction of Arizona State Route 202. This activity is recorded in the General Fund in the accompanying financial statements.

As of June 30, 2002, the outstanding principal amount of the Notes totaled \$41,000,000.

12. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport, golf course and community center. Although the City's Enterprise Fund does not meet the requirements for disclosing segment information, these services provided by the City are of such significance as to warrant additional disclosure. Operating revenue, expenses and operating income for the year ended June 30, 2002 for these services are as follows:

<u>Functions</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>		<u>Operating Income (Loss)</u>
		<u>Depreciation and Amortization</u>	<u>Other</u>	
Electric	\$ 29,166,639	\$ 2,152,621	\$ 19,121,117	\$ 7,892,901
Gas	26,502,312	1,503,498	18,464,466	6,534,348
Water	74,645,436	10,019,003	28,533,016	36,093,417
Wastewater	39,933,937	4,365,833	16,735,776	18,832,328
Solid Waste	29,605,827	1,403,374	19,853,136	8,349,317
Airport	1,789,167	581,377	1,356,241	(148,451)
Golf Course	2,364,190	231,740	2,016,682	115,768
Centennial Center	<u>1,381,874</u>	<u>217,046</u>	<u>2,809,037</u>	<u>(1,644,209)</u>
Total	\$ <u>205,389,382</u>	\$ <u>20,474,492</u>	\$ <u>108,889,471</u>	\$ <u>76,025,419</u>

13. DESIGNATED NET ASSETS

The net assets in the Employee Benefit and Workers' Compensation Self Insurance Funds are designated for anticipated future losses and are a result of excess premiums charged to increase the fund balance specifically for this purpose.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

The net assets in the Property and Public Liability Self-Insurance Fund is the result of management's intention to increase the equity in this fund until such time that it can be self supporting.

14. JOINT VENTURES

The City participates with the cities of Phoenix, Glendale, Scottsdale and Tempe in a multi-city sanitary sewer system (the "System") in which Phoenix is the lead agency. The City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agency, Phoenix provides all management personnel and financing arrangements. The various cities participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The different agencies participate in each facility at varying rates depending on their needs at the time each facility was constructed. The City of Mesa's investment in the joint venture is reflected in the Enterprise Fund financial statements.

The System has no debt outstanding. Unaudited summary financial information on the System (GAAP basis) as of and for the fiscal year ended June 30, 2002 is as follows:

Assets	
Equity in Pooled Cash and Investments	\$ 32,968,000
Receivables	10,922,000
Inventories at Average Cost	705,000
Capital Assets	<u>398,881,000</u>
Total Assets	<u>\$ 443,476,000</u>
Liabilities	<u>\$ 32,320,000</u>
Net Assets	<u>\$ 411,156,000</u>
Total Revenues	\$ 82,614,000
Total Expenses	<u>(43,727,000)</u>
Increase in Net Assets	<u>\$ 38,887,000</u>

Separate financial statements for the activity under the Joint Venture agreement can be obtained through the AMWUA office at 4041 N. Central Avenue, Phoenix, Arizona, 85012.

The City also participates with the City of Phoenix in a water treatment plant. The City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

of the plant. As lead agency, Phoenix provides all management personnel and financing arrangements. Phoenix and Mesa participate in ownership of the plant and are charged for operating expenses based on gallons of water treated. The City of Mesa's investment in the joint venture is reflected in the Enterprise Fund financial statements.

The water treatment plant has no debt outstanding. Unaudited summary financial information for the plant (GAAP basis) as of and for the fiscal year ended June, 2002 is as follows:

Assets	
Equity in Pooled Cash and Investments	\$ 1,178,000
Receivables	4,296,000
Capital Assets, Net of Accumulated Depreciation	<u>155,682,000</u>
Total Assets	<u>\$ 161,156,000</u>
Liabilities	<u>\$ 3,009,000</u>
Net Assets	<u>\$ 158,147,000</u>
Total Revenues	\$ 22,372,000
Total Expenses	<u>(17,905,000)</u>
Increase in Net Assets	<u>\$ 4,467,000</u>

Separate financial statements for the activity can be obtained through the City of Phoenix at 305 W. Washington Street, Phoenix, Arizona, 85003.

The City is currently in the process of constructing a joint water reclamation plant with the Town of Gilbert. Mesa will act as the lead agency and be responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agent, Mesa will provide all management personnel and financing arrangements. Mesa and Gilbert will participate in ownership of the plant and be charged for operating expenses based on gallons of flow. The City of Mesa's investment in the joint venture is reflected in the Enterprise Fund financial statements.

Total construction costs as of June 30, 2002 are:

Mesa's Share	\$12,916,558
Gilbert's Share	<u>10,321,535</u>
Total Construction	<u>\$23,238,093</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

15. SUBSEQUENT EVENTS

On August 29, 2002, the City issued \$31,985,000 of Highway User Revenue Refunding Bonds to refund \$30,300,000 of outstanding Highway User Revenue Bonds to take advantage of lower interest rates. The average interest rate on the Refunding Bonds was 4.09 percent.

The City sold \$40,105,000 of General Obligation Refunding Bonds and \$3,505,000 of Certificates of Ownership of Supplemental Interest Payments on September 5, 2002 to refund \$40,105,000 of outstanding General Obligation Bonds to reduce future debt service payments. The average interest rate on the General Obligation Refunding Bonds was 3.82 percent.

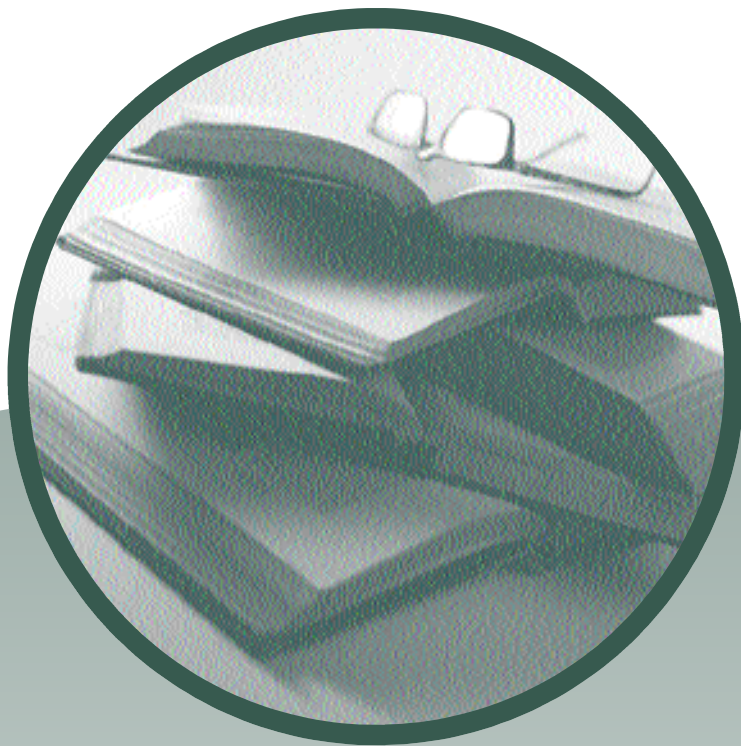
On September 13, 2002, the City refunded \$47,405,000 of outstanding Utility System Revenue Bonds by issuing \$48,850,000 of Utility System Revenue Refunding Bonds to reduce future debt service payment by refinancing its existing debt. The average interest rate on the Utility System Revenue Refunding Bonds was 3.98 percent.

On November 22, 2002, the Arizona State Treasurer's Office informed participants in the Local Government Investment Pool (LGIP) that it currently holds asset-backed securities administered by National Century Financial Enterprises (NCFE). These securities, which total \$131 million of the total \$4 billion in the LGIP, are backed by payments from Medicare/Medicaid and other creditworthy issuers. The City's proportional share of the \$131 million is \$6.6 million.

Recently NCFE has filed for bankruptcy and come under investigation by the Federal Bureau of Investigation and the Securities and Exchange Commission. Moody's Investor Service has downgraded the rating on these securities from AAA to Ba3.

At this point in time, it is impossible to determine the City's financial exposure, if any, due to the aforementioned events.

(Concluded)



**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF MESA, ARIZONA

EXHIBIT B-1

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance With Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 109,214,000	\$ 109,214,000	\$ 103,910,398	\$ (5,303,602)
Licenses and Permits	14,283,000	14,283,000	10,924,575	(3,358,425)
Intergovernmental	108,500,000	108,500,000	100,096,392	(8,403,608)
Charges For Services	9,787,000	9,787,000	9,009,457	(777,543)
Fines and Forfeitures	11,991,000	11,991,000	10,066,937	(1,924,063)
Investment Income	4,750,000	4,750,000	4,549,910	(200,090)
Miscellaneous	3,618,000	3,618,000	4,369,564	751,564
Total Revenues	262,143,000	262,143,000	242,927,233	(19,215,767)
Less: Bad Debts	2,400,000	2,400,000	2,607,460	207,460
Total Net Revenues	259,743,000	259,743,000	240,319,773	(19,423,227)
Expenditures:				
Current:				
General Government	41,208,568	39,822,330	35,976,756	3,845,574
Public Safety	157,860,049	155,626,495	152,995,179	2,631,316
Cultural-Recreational	49,575,243	50,941,664	45,765,218	5,176,446
Community Environment	13,135,811	13,099,621	12,997,635	101,986
Capital Outlay	43,293,510	45,828,914	27,556,664	18,272,250
Contingencies	26,753,000	26,105,120	-	26,105,120
Debt Service:				
Principal Retirement	3,786,856	3,786,856	3,786,235	621
Interest/Service Charges on Bonds	4,518,700	4,920,737	4,694,946	225,791
Total Expenditures	340,131,737	340,131,737	283,772,633	56,359,104
Excess (Deficiency) of Revenues Over (Under) Expenditures	(80,388,737)	(80,388,737)	(43,452,860)	36,935,877
Other Financing Sources (Uses):				
Transfers In	54,927,000	54,927,000	60,000,000	5,073,000
Transfers Out	(7,034,000)	(7,034,000)	(4,305,000)	2,729,000
Total Other Financing Sources	47,893,000	47,893,000	55,695,000	7,802,000
Net Change in Fund Balance	(32,495,737)	(32,495,737)	12,242,140	44,737,877
Fund Balance - Beginning	34,268,246	34,268,246	22,478,506	(11,789,740)
Increase in Unrestricted Fund Balance	(1,772,509)	(1,772,509)	(11,744,864)	(9,972,355)
Fund Balance - Ending	\$ -	\$ -	\$ 22,975,782	\$ 22,975,782

The note to the required supplementary information is an integral part of the financial statements

CITY OF MESA, ARIZONA

EXHIBIT B-2

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Original Budget	Final Budget	Actual Amounts - Budget Basis	Variance With Final Budget Positive (Negative)
General Government:				
Legislative	\$ 1,715,000	\$ 1,531,077	\$ 1,531,077	\$ -
Executive	1,707,000	1,624,464	1,555,115	69,349
Williams Gateway	4,988,000	4,987,966	4,987,690	276
Redevelopment	4,391,000	4,560,101	4,560,101	-
Judicial	8,216,000	8,160,060	7,627,665	532,395
Legal	3,588,000	3,072,318	3,025,179	47,139
Building Maintenance	949,000	964,895	964,895	-
City Clerk	1,263,000	1,258,896	935,653	323,243
Economic Development	1,219,000	1,296,600	1,296,600	-
Engineering	4,022,000	3,595,718	2,381,720	1,213,998
Financial Services	3,171,000	3,074,339	2,978,294	96,045
E-Streets & Cable TV Licensing	934,000	985,714	985,714	-
General Services	4,693,301	4,711,801	4,073,906	637,895
Planning	3,961,000	3,837,418	3,314,943	522,475
Capital Improvement	6,548,000	4,610,597	4,463,928	146,669
Total General Government	51,365,301	48,271,964	44,682,480	3,589,484
Less: Capital Outlay Expenditures	9,085,491	7,378,392	7,634,682	(256,290)
Debt Service Expenditures	1,071,242	1,071,242	1,071,042	200
Total Current Expenditures	41,208,568	39,822,330	35,976,756	3,845,574
Public Safety:				
Law Enforcement	113,765,996	113,355,698	111,812,344	1,543,354
Fire Prevention	43,685,997	43,316,735	40,884,151	2,432,584
Building Inspections	7,572,000	6,982,320	6,646,777	335,543
Code Compliance	2,082,000	2,037,185	1,852,716	184,469
Environmental Management	1,207,000	1,297,500	1,098,934	198,566
Total Public Safety	168,312,993	166,989,438	162,294,922	4,694,516
Less: Capital Outlay Expenditures	9,199,255	9,707,217	7,644,017	2,063,200
Debt Service Expenditures	1,253,689	1,655,726	1,655,726	-
Total Current Expenditures	\$ 157,860,049	\$ 155,626,495	\$ 152,995,179	\$ 2,631,316

(Continued)

The note to the required supplementary information is an integral part of the financial statements

CITY OF MESA, ARIZONA

EXHIBIT B-2 (Continued)

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Original Budget	Final Budget	Actual Amounts - Budget Basis	Variance With Final Budget Positive (Negative)
Cultural-Recreational:				
Parks and Recreation	\$ 29,974,017	\$ 31,222,723	\$ 24,842,112	\$ 6,380,611
Cultural	4,341,000	5,860,867	5,860,867	-
Aquatics	4,265,000	4,100,341	2,673,052	1,427,289
Library	12,942,505	12,869,588	11,966,902	902,686
Community Aid	1,960,000	1,937,560	1,387,106	550,454
Museum	2,960,000	2,783,362	2,540,827	242,535
Museum for Youth	1,404,000	1,324,500	996,720	327,780
Neighborhood & Comm. Assist.	3,689,000	3,898,216	3,898,216	-
Total Cultural-Recreational	61,535,522	63,997,157	54,165,802	9,831,355
Less: Capital Outlay Expenditures	10,580,183	11,675,397	7,197,649	4,477,748
Debt Service Expenditures	1,380,096	1,380,096	1,202,935	177,161
Total Current Expenditures	49,575,243	50,941,664	45,765,218	5,176,446
Community Environment:				
Cemetery	810,000	833,033	833,033	-
Community Development	7,910,000	9,590,234	5,632,388	3,957,846
Streets	7,504,246	8,037,108	5,346,437	2,690,671
Storm Sewer	6,742,774	6,742,774	6,373,549	369,225
Mass Transit	8,444,901	8,622,500	3,501,613	5,120,887
Miscellaneous Services	753,000	942,409	942,409	-
Total Community Environment	32,164,921	34,768,058	22,629,429	12,138,629
Less: Capital Outlay Expenditures	14,428,581	17,067,908	5,080,316	11,987,592
Debt Service Expenditures	4,600,529	4,600,529	4,551,478	49,051
Total Current Expenditures	13,135,811	13,099,621	12,997,635	101,986
Contingencies	26,753,000	26,105,120	-	26,105,120
Total General Fund Expenditures	<u>\$ 340,131,737</u>	<u>\$ 340,131,737</u>	<u>\$ 283,772,633</u>	<u>\$ 56,359,104</u>

The note to the required supplementary information is an integral part of the financial statements

CITY OF MESA, ARIZONA

EXHIBIT B-3

HIGHWAY USER REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance With Final Budget - Positive (Negative)
Revenues:				
Intergovernmental	\$ 31,212,000	\$ 31,212,000	\$ 30,263,238	\$ (948,762)
Fines and Forfeitures	-	-	21,106	21,106
Investment Income	50,000	50,000	47,334	(2,666)
Miscellaneous	2,000	2,000	2,500	500
Total Revenues	31,264,000	31,264,000	30,334,178	(929,822)
Expenditures:				
Current:				
Community Environment	16,238,713	17,718,113	19,111,649	(1,393,536)
Capital Outlay	164,065	4,586,220	2,025,480	2,560,740
Contingencies	8,194,000	2,292,445	-	2,292,445
Debt Service:				
Principal Retirement	8,086,912	8,086,912	8,086,912	-
Interest/Service Charges on Bonds	4,687,290	4,687,290	4,040,473	646,817
Total Expenditures	37,370,980	37,370,980	33,264,514	4,106,466
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,106,980)	(6,106,980)	(2,930,336)	3,176,644
Fund Balance - Beginning	6,107,864	6,107,864	4,299,580	(1,808,284)
Fund Balance - Ending	\$ 884	\$ 884	\$ 1,369,244	\$ 1,368,360

The note to the required supplementary information is an integral part of the financial statements

CITY OF MESA, ARIZONA

EXHIBIT B-4

HIGHWAY USER REVENUE FUND

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Original Budget	Final Budget	Actual Amounts - Budget Basis	Variance With Final Budget - Positive (Negative)
General Government:				
Capital:				
Redevelopment	\$ -	\$ 1,904,623	\$ 175,171	\$ 1,729,452
Community Environment:				
Streets	28,396,754	32,391,786	32,391,786	-
Storm Sewer	780,226	782,126	697,557	84,569
Total Community Environment	29,176,980	33,173,912	33,089,343	84,569
Less: Capital Outlay Expenditures	164,065	2,681,597	1,850,309	831,288
Debt Service Expenditures	12,774,202	12,774,202	12,127,385	646,817
Total Current Expenditures	16,238,713	17,718,113	19,111,649	(1,393,536)
Contingencies	8,194,000	2,292,445	-	2,292,445
Total Highway User Revenue Fund Expenditures	<u>\$ 37,370,980</u>	<u>\$ 37,370,980</u>	<u>\$ 33,264,514</u>	<u>\$ 4,106,466</u>

The note to the required supplementary information is an integral part of the financial statements

CITY OF MESA, ARIZONA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

The financial statements for the City are prepared in accordance with generally accepted accounting principles – “GAAP basis”. Since Mesa, like most other Arizona cities, prepares its annual budget on a basis which differs from the “GAAP basis”, additional schedules of revenues and expenditures are presented for the General Fund to provide a meaningful comparison of actual results to budget on the “budget basis”.

Adjustments necessary to convert the results of operations of the General Fund for the year ended June 30, 2002 on the “GAAP basis” to the “budget basis” as follows:

Budget Basis - Exhibit B-1	\$ 12,242,140
Basis Differences:	
Investments - Fair Value Adjustment	(140,671)
Compensated Absences	98,614
Special Assessments	62,340
Sales Tax Accrual	(791,405)
Timing Differences:	
Rebatable Arbitrage	(182,053)
Grants & Contributions	(361,845)
Interest Earnings in Escrow Account	(1,051,709)
Debt Service Activities	<u>412,203</u>
GAAP Basis - Exhibit A-5	<u>\$ 10,287,614</u>

The Highway User Revenue Fund does not have any budget to GAAP reconciliations.

NON-MAJOR FUNDS

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Local Transportation Assistance Fund accounts for expenditures on local transportation operations and capital outlay, as mandated by the Arizona State Legislature. The principal financing source for this fund is the state shared lottery revenue.

Mesa Housing Authority Fund accounts for expenditures of the City's housing assistance programs that consist of housing owned and operated by the City and rent subsidy payments to private sector owners of dwelling units. Financing for this fund is derived from tenants and the United States Department of Housing and Urban Development.

Cemetery Fund is designed to provide an accumulation of monies from which the interest earnings will provide perpetual care of the Cemetery.

Public Art Fund is designed to provide a balance of monies from which public art projects throughout the City may be developed. Funds are provided through allocations from the General Fund that are based on at least one percent of the anticipated yearly expenditures for parks, recreation, and cultural bond and capital improvement projects.

Development Impact Fees Fund is designed to provide a balance of monies to ensure that new development bears a proportionate share of the cost of improvements to the City's parks, cultural facilities, libraries, fire facilities and equipment and police facilities and equipment. These funds are provided through the collection of development impact fees.

Debt Service Funds

These funds are established to account for the accumulation of resources for, and the payment of, principal and interest not serviced by the Enterprise Fund.

General Obligation Bond Redemption Fund accumulates monies for the payment of principal and interest requirements of the City's General Obligation Bonds.

Special Assessment Bond Redemption Fund accumulates monies for the payment of the Special Assessment Bonds that are issued to finance the costs of improvements which are to be paid from special assessments levied against the benefited properties.

Debt Service Funds (cont.)

Municipal Development Corporation Bond Redemption Fund accumulates monies for payment of the principal and interest requirements of the City's Municipal Development Corporation Bonds.

Capital Lease Redemption Fund accumulates monies for the payment of principal and interest requirements of capital leases relating to the acquisition of land, computer equipment, communication equipment, police helicopters and various public improvements within the City.

Highway User Revenue Redemption Fund accumulates monies for the payment of principal and interest requirements of the City's Highway User Revenue Bonds.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and special revenue funds.

Fire Construction Fund accounts for the cost of fire prevention facilities and equipment.

Storm Sewer Construction Fund accounts for the construction of drains, basins, channels and other storm sewer improvements.

Streets Construction Fund accounts for the cost of right-of-way acquisitions and street improvements.

Parks Construction Fund accounts for the cost of new park site acquisitions as well as improvements.

Law Enforcement Construction Fund accounts for the cost of public safety facilities.

Senior Center Construction Fund accounts for the cost of constructing the eastside senior center.

Library Construction Fund accounts for the cost of improvements to the East Mesa Library branch.

Service Center Construction Fund accounts for the cost of improvements to the 6th Street service center.

Capital Leases Construction Fund accounts for the cost of acquiring various computer equipment, communications equipment and public improvements within the City.



COMBINING STATEMENTS

CITY OF MESA, ARIZONA
EXHIBIT C-1
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2002

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Other Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 12,789,991	\$ -	\$ 29,949,896	\$ 42,739,887
Accounts Receivable	104,159	-	-	104,159
Accrued Interest Receivable	53,445	-	-	53,445
Due From Other Governments	3,599,696	-	-	3,599,696
Prepaid Costs	1,072	-	-	1,072
Restricted Assets				
Cash and Cash Equivalents	-	24,058,187	-	24,058,187
Accounts Receivable	-	144,417	-	144,417
Total Assets	<u>\$ 16,548,363</u>	<u>\$ 24,202,604</u>	<u>\$ 29,949,896</u>	<u>\$ 70,700,863</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,626,062	\$ -	\$ 3,657,721	\$ 5,283,783
Due To Other Funds	2,088,000	-	-	2,088,000
Customer Deposits	23,914	-	-	23,914
Payable From Restricted Assets:				
Accounts Payable	-	11,210	-	11,210
Accrued Lease Interest Payable	-	443,771	-	443,771
Accrued Bond Interest Payable	-	6,611,552	-	6,611,552
Deferred Revenue	-	144,417	-	144,417
General Obligation Bonds Payable	-	14,223,402	-	14,223,402
Municipal Development Corporation				
Bonds Payable	-	910,000	-	910,000
Capital Leases Payable	-	1,410,000	-	1,410,000
Total Liabilities	<u>3,737,976</u>	<u>23,754,352</u>	<u>3,657,721</u>	<u>31,150,049</u>
Fund Balances:				
Reserved For Encumbrances	1,464,336	-	17,732,564	19,196,900
Reserved For Prepaid Costs	1,072	-	-	1,072
Reserved For Debt Service	-	448,252	-	448,252
Unreserved	11,344,979	-	8,559,611	19,904,590
Total Fund Balances	<u>12,810,387</u>	<u>448,252</u>	<u>26,292,175</u>	<u>39,550,814</u>
Total Liabilities and Fund Balances	<u>\$ 16,548,363</u>	<u>\$ 24,202,604</u>	<u>\$ 29,949,896</u>	<u>\$ 70,700,863</u>

CITY OF MESA, ARIZONA

EXHIBIT C-2

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Other Governmental Fund
Revenues:				
Special Assessments	\$ -	\$ 68,388	\$ -	\$ 68,388
Licenses and Permits	6,520,648	-	-	6,520,648
Intergovernmental	14,815,840	42,797	76,471	14,935,108
Charges For Services	488,541	-	-	488,541
Investment Income	361,393	10,648	-	372,041
Miscellaneous	979,300	1,004	541,593	1,521,897
Total Revenues	23,165,722	122,837	618,064	23,906,623
Expenditures:				
Current:				
Community Environment	16,518,684	-	-	16,518,684
Debt Service:				
Principal Retirement	-	20,844,687	-	20,844,687
Interest on Bonds	-	12,374,613	-	12,374,613
Interest on Leases	-	1,107,715	-	1,107,715
Service Charges	-	98,891	-	98,891
Capital Outlay	4,068,372	-	61,232,966	65,301,338
Total Expenditures	20,587,056	34,425,906	61,232,966	116,245,928
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,578,666	(34,303,069)	(60,614,902)	(92,339,305)
Other Financing Sources (Uses):				
Transfers In	3,845,000	34,390,243	8,940	38,244,183
Transfers Out	(5,584,364)	(63,345)	(1,346,811)	(6,994,520)
Proceeds From Sales of Bonds	-	-	51,309,318	51,309,318
Proceeds From Obligations of Capital Leases	-	-	2,448,000	2,448,000
Proceeds From Refunding Issue	-	26,333,383	-	26,333,383
Payment to Refunded Bond Escrow Agent	-	(26,333,383)	-	(26,333,383)
Total Other Financing Sources and (Uses)	(1,739,364)	34,326,898	52,419,447	85,006,981
Net Change in Fund Balances	839,302	23,829	(8,195,455)	(7,332,324)
Fund Balances - Beginning	11,971,085	424,423	34,487,630	46,883,138
Fund Balances - Ending	\$ 12,810,387	\$ 448,252	\$ 26,292,175	\$ 39,550,814

CITY OF MESA, ARIZONA
EXHIBIT C-3
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2002

	Local Transportation Assistance	Mesa Housing Authority	Cemetery
ASSETS			
Cash and Cash Equivalents	\$ 926	\$ 905	\$ 4,886,180
Accounts Receivable	-	104,159	-
Accrued Interest Receivable	18	403	17,906
Due From Other Governments	3,272,514	327,182	-
Prepaid Costs	460	612	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,273,918</u>	<u>\$ 433,261</u>	<u>\$ 4,904,086</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 1,261,571	\$ 169,882	\$ -
Due To Other Funds	1,885,000	203,000	-
Customer Deposits	-	23,914	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>3,146,571</u>	<u>396,796</u>	<u>-</u>
Fund Balances:			
Reserved For Encumbrances	-	5,214	-
Reserved For Prepaid Costs	460	612	-
Unreserved	126,887	30,639	4,904,086
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>127,347</u>	<u>36,465</u>	<u>4,904,086</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 3,273,918</u>	<u>\$ 433,261</u>	<u>\$ 4,904,086</u>

EXHIBIT C-3
(Continued)

<u>Public Art</u>	<u>Development Impact Fees</u>	<u>Total</u>
\$ 869,563	\$ 7,032,417	\$ 12,789,991
-	-	104,159
2,778	32,340	53,445
-	-	3,599,696
-	-	1,072
<u>\$ 872,341</u>	<u>\$ 7,064,757</u>	<u>\$ 16,548,363</u>
\$ 6,203	\$ 188,406	\$ 1,626,062
-	-	2,088,000
-	-	23,914
<u>6,203</u>	<u>188,406</u>	<u>3,737,976</u>
-	1,459,122	1,464,336
-	-	1,072
<u>866,138</u>	<u>5,417,229</u>	<u>11,344,979</u>
<u>866,138</u>	<u>6,876,351</u>	<u>12,810,387</u>
<u>\$ 872,341</u>	<u>\$ 7,064,757</u>	<u>\$ 16,548,363</u>

CITY OF MESA, ARIZONA
EXHIBIT C-4
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Local Transportation Assistance	Mesa Housing Authority	Cemetery
Revenues:			
Licenses & Permits	\$ -	\$ -	\$ -
Intergovernmental	5,580,381	9,235,459	-
Charges for Services	-	390,221	98,320
Investment Income	5,885	8,131	118,664
Miscellaneous	932,031	47,269	-
Total Revenues	<u>6,518,297</u>	<u>9,681,080</u>	<u>216,984</u>
Expenditures:			
Current:			
Community Environment	6,455,687	10,062,997	-
Capital Outlay	2,720,112	576	-
Total Expenditures	<u>9,175,799</u>	<u>10,063,573</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,657,502)</u>	<u>(382,493)</u>	<u>216,984</u>
Other Financing Sources (Uses):			
Transfers In	2,780,000	400,000	465,000
Transfers Out	-	-	-
Total Other Financing Sources and (Uses)	<u>2,780,000</u>	<u>400,000</u>	<u>465,000</u>
Net Change in Fund Balances	122,498	17,507	681,984
Fund Balances - Beginning	<u>4,849</u>	<u>18,958</u>	<u>4,222,102</u>
Fund Balances - Ending	<u>\$ 127,347</u>	<u>\$ 36,465</u>	<u>\$ 4,904,086</u>

EXHIBIT C-4
(Continued)

Public Art	Development Impact Fees	Total
\$ -	\$ 6,520,648	\$ 6,520,648
-	-	14,815,840
-	-	488,541
18,347	210,366	361,393
-	-	979,300
<u>18,347</u>	<u>6,731,014</u>	<u>23,165,722</u>
-	-	16,518,684
<u>66,734</u>	<u>1,280,950</u>	<u>4,068,372</u>
<u>66,734</u>	<u>1,280,950</u>	<u>20,587,056</u>
<u>(48,387)</u>	<u>5,450,064</u>	<u>2,578,666</u>
200,000	-	3,845,000
-	(5,584,364)	(5,584,364)
<u>200,000</u>	<u>(5,584,364)</u>	<u>(1,739,364)</u>
151,613	(134,300)	839,302
<u>714,525</u>	<u>7,010,651</u>	<u>11,971,085</u>
<u>\$ 866,138</u>	<u>\$ 6,876,351</u>	<u>\$ 12,810,387</u>

CITY OF MESA, ARIZONA
EXHIBIT C-5
NON-MAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2002

	General Obligation Bond Redemption	Special Assessment Bond Redemption	Municipal Development Corporation Bond Redemption
ASSETS			
Restricted Assets:			
Cash and Cash Equivalents	\$ 18,843,271	\$ 6,530	\$ 1,019,241
Special Assesments Receivable	-	144,417	-
Total Assets	<u>\$ 18,843,271</u>	<u>\$ 150,947</u>	<u>\$ 1,019,241</u>
LIABILITIES AND FUND BALANCES			
Liabilities Payable From Restricted Assets:			
Accounts Payable	-	-	11,210
Accrued Lease Interest Payable	-	-	-
Accrued Bond Interest Payable	4,619,869	6,530	88,181
Deferred Revenue - Special Assessments	-	144,417	-
General Obligation Bonds Payable	14,223,402	-	-
Municipal Development Corporation Bonds Payable	-	-	910,000
Capital Leases Payable	-	-	-
Total Liabilities	<u>18,843,271</u>	<u>150,947</u>	<u>1,009,391</u>
Fund Balances-Reserved For Debt Service	<u>-</u>	<u>-</u>	<u>9,850</u>
Total Liabilities and Fund Balances	<u>\$ 18,843,271</u>	<u>\$ 150,947</u>	<u>\$ 1,019,241</u>

EXHIBIT C-5
(Continued)

Capital Lease Redemption	Highway User Revenue Bond Redemption	Total
\$ 2,292,173	\$ 1,896,972	\$ 24,058,187
<u>-</u>	<u>-</u>	<u>144,417</u>
<u><u>\$ 2,292,173</u></u>	<u><u>\$ 1,896,972</u></u>	<u><u>\$ 24,202,604</u></u>
-	-	11,210
443,771	-	443,771
-	1,896,972	6,611,552
-	-	144,417
-	-	14,223,402
-	-	910,000
<u>1,410,000</u>	<u>-</u>	<u>1,410,000</u>
<u>1,853,771</u>	<u>1,896,972</u>	<u>23,754,352</u>
<u>438,402</u>	<u>-</u>	<u>448,252</u>
<u><u>\$ 2,292,173</u></u>	<u><u>\$ 1,896,972</u></u>	<u><u>\$ 24,202,604</u></u>

CITY OF MESA, ARIZONA
EXHIBIT C-6
NON-MAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General Obligation Bond Redemption	Special Assessment Bond Redemption	Municipal Development Corporation Bond Redemption
Revenues:			
Special Assessments	\$ -	\$ 68,388	\$ -
Intergovernmental	-	-	42,797
Investment Income	-	10,648	-
Miscellaneous	-	1,004	-
Total Revenues	-	80,040	42,797
Expenditures:			
Principal Retirement	14,223,402	-	1,165,000
Interest on Bonds	8,908,805	16,695	392,313
Interest on Leases	-	-	-
Service Charges	3,560	-	94,968
Total Expenditures	23,135,767	16,695	1,652,281
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,135,767)	63,345	(1,609,484)
Other Financing Sources (Uses):			
Operating Transfer In	23,135,767	-	1,194,911
Operating Transfer Out	-	(63,345)	-
Proceeds From Refunding Issue	26,333,383	-	-
Payment to Refunded Bond Escrow Agent	(26,333,383)	-	-
Total Other Financing Sources Uses	23,135,767	(63,345)	1,194,911
Net Change In Fund Balances	-	-	(414,573)
Fund Balances - Beginning	-	-	424,423
Fund Balances - Ending	\$ -	\$ -	\$ 9,850

EXHIBIT C-6

(Continued)

Capital Lease Redemption	Highway User Revenue Bond Redemption	Total
\$ -	\$ -	\$ 68,388
-	-	42,797
-	-	10,648
-	-	1,004
-	-	122,837
5,456,285	-	20,844,687
-	3,056,800	12,374,613
1,107,715	-	1,107,715
-	363	98,891
6,564,000	3,057,163	34,425,906
(6,564,000)	(3,057,163)	(34,303,069)
7,002,402	3,057,163	34,390,243
-	-	(63,345)
-	-	26,333,383
-	-	(26,333,383)
7,002,402	3,057,163	34,326,898
438,402	-	23,829
-	-	424,423
<u>\$ 438,402</u>	<u>\$ -</u>	<u>\$ 448,252</u>

CITY OF MESA, ARIZONA
EXHIBIT C-7
 NON-MAJOR CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2002

	<u>Fire</u>	<u>Storm Sewer</u>	<u>Streets</u>	<u>Parks</u>
ASSETS				
Cash and Cash Equivalents	<u>\$ 4,777,178</u>	<u>\$ 2,855,806</u>	<u>\$ 10,824,808</u>	<u>\$ 5,658,637</u>
Total Assets	<u><u>\$ 4,777,178</u></u>	<u><u>\$ 2,855,806</u></u>	<u><u>\$ 10,824,808</u></u>	<u><u>\$ 5,658,637</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	<u>\$ 654,120</u>	<u>\$ 199,383</u>	<u>\$ 2,014,930</u>	<u>\$ 347,745</u>
Total Liabilities	<u>654,120</u>	<u>199,383</u>	<u>2,014,930</u>	<u>347,745</u>
Fund Balances:				
Reserved For Encumbrances	4,409,311	1,151,513	7,617,295	1,631,944
Unreserved	<u>(286,253)</u>	<u>1,504,910</u>	<u>1,192,583</u>	<u>3,678,948</u>
Total Fund Balances	<u>4,123,058</u>	<u>2,656,423</u>	<u>8,809,878</u>	<u>5,310,892</u>
Total Liabilities and Fund Balances	<u><u>\$ 4,777,178</u></u>	<u><u>\$ 2,855,806</u></u>	<u><u>\$ 10,824,808</u></u>	<u><u>\$ 5,658,637</u></u>

EXHIBIT C-7
(Continued)

<u>Law Enforcement</u>	<u>Senior Center</u>	<u>Library</u>	<u>Service Center</u>	<u>Capital Leases</u>	<u>Total</u>
<u>\$ 1,572,852</u>	<u>\$ 36,853</u>	<u>\$ 1,274,366</u>	<u>\$ 1,231,289</u>	<u>\$ 1,718,107</u>	<u>\$ 29,949,896</u>
<u><u>\$ 1,572,852</u></u>	<u><u>\$ 36,853</u></u>	<u><u>\$ 1,274,366</u></u>	<u><u>\$ 1,231,289</u></u>	<u><u>\$ 1,718,107</u></u>	<u><u>\$ 29,949,896</u></u>
<u>\$ 160,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,571</u>	<u>\$ 3,657,721</u>
<u>160,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,571</u>	<u>3,657,721</u>
<u>1,429,134</u>	<u>2,927</u>	<u>1,423,734</u>	<u>66,706</u>	<u>-</u>	<u>17,732,564</u>
<u>(17,254)</u>	<u>33,926</u>	<u>(149,368)</u>	<u>1,164,583</u>	<u>1,437,536</u>	<u>8,559,611</u>
<u>1,411,880</u>	<u>36,853</u>	<u>1,274,366</u>	<u>1,231,289</u>	<u>1,437,536</u>	<u>26,292,175</u>
<u><u>\$ 1,572,852</u></u>	<u><u>\$ 36,853</u></u>	<u><u>\$ 1,274,366</u></u>	<u><u>\$ 1,231,289</u></u>	<u><u>\$ 1,718,107</u></u>	<u><u>\$ 29,949,896</u></u>

CITY OF MESA, ARIZONA
EXHIBIT C-8
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Fire	Storm Sewer	Streets	Parks
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 65,119	\$ -
Miscellaneous	-	-	541,593	-
Total Revenues	-	-	606,712	-
Expenditures:				
Capital Outlay	4,795,186	7,942,270	27,552,082	3,363,389
Total Expenditures	4,795,186	7,942,270	27,552,082	3,363,389
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,795,186)	(7,942,270)	(26,945,370)	(3,363,389)
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Proceeds From Bond Sales	6,115,283	9,032,575	25,867,725	3,075,688
Proceeds From Obligations of Capital Leases	-	-	-	-
Total Other Financing Sources	6,115,283	9,032,575	25,867,725	3,075,688
Net Change in Fund Balances	1,320,097	1,090,305	(1,077,645)	(287,701)
Fund Balances - Beginning	2,802,961	1,566,118	9,887,523	5,598,593
Fund Balances - Ending	<u>\$ 4,123,058</u>	<u>\$ 2,656,423</u>	<u>\$ 8,809,878</u>	<u>\$ 5,310,892</u>

EXHIBIT C-8

(Continued)

Law Enforcement	Senior Center	Library	Service Center	Capital Leases	Total
\$ 11,352	\$ -	\$ -	\$ -	\$ -	\$ 76,471
-	-	-	-	-	541,593
11,352	-	-	-	-	618,064
12,684,203	37,525	86,411	(4,565)	4,776,465	61,232,966
12,684,203	37,525	86,411	(4,565)	4,776,465	61,232,966
(12,672,851)	(37,525)	(86,411)	4,565	(4,776,465)	(60,614,902)
-	-	-	-	8,940	8,940
-	-	-	-	(1,346,811)	(1,346,811)
6,716,795	-	501,252	-	-	51,309,318
-	-	-	-	2,448,000	2,448,000
6,716,795	-	501,252	-	1,110,129	52,419,447
(5,956,056)	(37,525)	414,841	4,565	(3,666,336)	(8,195,455)
7,367,936	74,378	859,525	1,226,724	5,103,872	34,487,630
<u>\$ 1,411,880</u>	<u>\$ 36,853</u>	<u>\$ 1,274,366</u>	<u>\$ 1,231,289</u>	<u>\$ 1,437,536</u>	<u>\$ 26,292,175</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Warehouse, Maintenance and Services Fund was established to finance and account for services and commodities furnished by Fleet Support, Materials and Supply, Printing and Graphics, and Overhead Pools for Utility Construction and Operations functions.

Property and Public Liability Self-Insurance Fund was established to account for the cost of claims incurred by the City under a self-insurance program.

Workers' Compensation Self-Insurance Fund was established to account for the costs of maintaining a self-insurance program for industrial insurance at the City.

Employee Benefit Self-Insurance Fund was established to account for the costs of maintaining the City's self-insurance health program.

CITY OF MESA, ARIZONA
EXHIBIT C-9
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2002

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 843	\$ 16,375,815
Accounts Receivable	-	-
Accrued Premiums Receivable	-	-
Accrued Interest Receivable	-	67,517
Due From Other Governments	16,462	-
Inventory	3,658,345	-
Prepaid Costs	7,568	-
Total Current Assets	<u>3,683,218</u>	<u>16,443,332</u>
Capital Assets:		
Buildings	1,679,027	-
Other Improvements	3,663,626	-
Machinery and Equipment	829,025	-
Construction in Progress	880,633	-
	7,052,311	-
Less Accumulated Depreciation	<u>(2,229,892)</u>	<u>-</u>
Total Capital Assets, Net	<u>4,822,419</u>	<u>-</u>
Total Assets	<u>\$ 8,505,637</u>	<u>\$ 16,443,332</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts Payable	342,850	-
Other Accrued Expenses:		
Estimated Liability For Claims:		
Incurred-Not Reported	-	3,700,000
Incurred and Pending	-	3,339,759
Due To Other Funds	525,000	-
Total Liabilities	<u>867,850</u>	<u>7,039,759</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	4,822,419	-
Unrestricted	2,815,368	9,403,573
Total Net Assets	<u>\$ 7,637,787</u>	<u>\$ 9,403,573</u>

EXHIBIT C-9
(Continued)

Workers' Compensation Fund	Employee Benefit Self Insurance	Total
\$ 13,022,120	\$ 5,693,096	\$ 35,091,874
202,752	75,729	278,481
-	584,160	584,160
55,470	20,280	143,267
-	-	16,462
-	-	3,658,345
-	-	7,568
<u>13,280,342</u>	<u>6,373,265</u>	<u>39,780,157</u>
-	-	1,679,027
-	-	3,663,626
-	-	829,025
-	-	880,633
-	-	7,052,311
-	-	(2,229,892)
-	-	4,822,419
<u>\$ 13,280,342</u>	<u>\$ 6,373,265</u>	<u>\$ 44,602,576</u>
5,421	212,207	560,478
41,550	1,031,299	4,772,849
6,560,086	-	9,899,845
-	-	525,000
<u>6,607,057</u>	<u>1,243,506</u>	<u>15,758,172</u>
-	-	4,822,419
<u>6,673,285</u>	<u>5,129,759</u>	<u>24,021,985</u>
<u><u>\$ 6,673,285</u></u>	<u><u>\$ 5,129,759</u></u>	<u><u>\$ 28,844,404</u></u>

CITY OF MESA, ARIZONA
EXHIBIT C-10
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>	<u>Workers' Compensation Self Insurance</u>
Operating Revenues:			
Charges For Services:			
Material and Supply	\$ 1,229,962	\$ -	\$ -
Printing and Graphics	1,460,901	-	-
Fleet Support Services	12,485,422	-	-
Miscellaneous Services	3,883,412	-	-
Self-Insurance Contributions:			
Employee	-	-	-
City	-	179,000	36,345
State Retirement System	-	-	-
Other	-	-	-
Total Operating Revenues	<u>19,059,697</u>	<u>179,000</u>	<u>36,345</u>
Operating Expenses:			
Material and Supply	1,258,098	-	-
Printing and Graphics	1,470,517	-	-
Fleet Support Services	12,616,644	-	-
Miscellaneous Services	3,952,874	-	-
Administrative Costs	-	502,688	899,561
Claims Incurred	-	241,468	2,166,278
Premiums to Insurance Carriers	-	-	-
Total Operating Expenses	<u>19,298,133</u>	<u>744,156</u>	<u>3,065,839</u>
Operating Income (Loss) Before Depreciation	<u>(238,436)</u>	<u>(565,156)</u>	<u>(3,029,494)</u>
Depreciation	<u>(209,972)</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	<u>(448,408)</u>	<u>(565,156)</u>	<u>(3,029,494)</u>
Other Income:			
Investment Income	-	473,655	407,983
Miscellaneous	1,130	-	-
Total Other Income	<u>1,130</u>	<u>473,655</u>	<u>407,983</u>
Net Income (Loss) Before Operating Transfers	<u>(447,278)</u>	<u>(91,501)</u>	<u>(2,621,511)</u>
Operating Transfers In	<u>460,000</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>12,722</u>	<u>(91,501)</u>	<u>(2,621,511)</u>
Total Net Assets - Beginning	<u>7,625,065</u>	<u>9,495,074</u>	<u>9,294,796</u>
Total Net Assets - Ending	<u>\$ 7,637,787</u>	<u>\$ 9,403,573</u>	<u>\$ 6,673,285</u>

EXHIBIT C-10
(Continued)

Employee Benefit Self Insurance	Total
\$ -	\$ 1,229,962
-	1,460,901
-	12,485,422
-	3,883,412
3,587,887	3,587,887
13,455,857	13,671,202
1,443,893	1,443,893
65,103	65,103
<u>18,552,740</u>	<u>37,827,782</u>
-	1,258,098
-	1,470,517
-	12,616,644
-	3,952,874
2,408,768	3,811,017
12,160,424	14,568,170
645,487	645,487
<u>15,214,679</u>	<u>38,322,807</u>
3,338,061	(495,025)
-	(209,972)
<u>3,338,061</u>	<u>(704,997)</u>
99,722	981,360
-	1,130
<u>99,722</u>	<u>982,490</u>
3,437,783	277,493
-	460,000
<u>3,437,783</u>	<u>737,493</u>
1,691,976	28,106,911
<u>\$ 5,129,759</u>	<u>\$ 28,844,404</u>

CITY OF MESA, ARIZONA

EXHIBIT C-11

INTERNAL SERVICE FUNDS

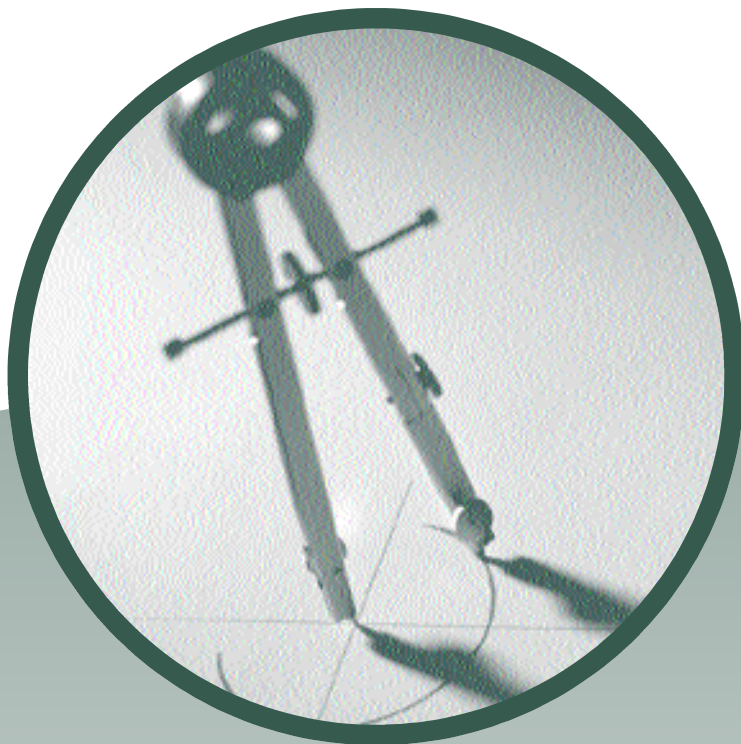
COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Warehouse, Maintenance and Services
Cash Flows From Operating Activities:	
Cash Received From Users	\$ 19,109,230
Cash Payments To Suppliers	(10,959,756)
Cash Payments to Employees	(8,556,773)
	<u>(407,299)</u>
Net Cash Provided By (Used For) Operating Activities	
Cash Flows From Noncapital Financing Activities:	
Transfers In From Other Funds	460,000
	<u>460,000</u>
Net Cash Provided By Noncapital Financing Activities	
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(233,449)
Proceeds from Sale of City Assets	1,130
	<u>(232,319)</u>
Net Cash Used For Capital and Related Financing Activities	
Cash Flows From Investing Activities:	
Interest Received On Investments	
	<u></u>
Net Cash Provided By (Used For) Investing Activities	
	<u></u>
Net Increase (Decrease) in Cash and Cash Equivalents	(179,618)
Cash and Cash Equivalents at Beginning of Year	180,461
	<u>180,461</u>
Cash and Cash Equivalents at End of Year	\$ 843
	<u>\$ 843</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:	
Operating Income (Loss)	\$ (448,408)
	<u>\$ (448,408)</u>
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided By (Used For) Operating Activities:	
Depreciation	209,972
Non-Cash Loss on Disposal of Assets	1,071
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	49,533
(Increase) in Inventory	(227,306)
(Increase) Decrease in Prepaid Costs	(165)
Increase (Decrease) in Accounts Payable	(516,996)
(Decrease) in Other Accrued Expense	
Increase in Due to Other Funds	525,000
	<u>525,000</u>
Total Adjustments	41,109
	<u>41,109</u>
Net Cash Provided By (Used For) by Operating Activities	\$ (407,299)
	<u>\$ (407,299)</u>

EXHIBIT C-11
(Continued)

Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefit Self Insurance	Total
\$ 179,000 (1,341,343)	\$ 351,372 (3,081,567) (222,874)	\$ 18,301,894 (14,678,062) (782,988)	\$ 37,941,496 (30,060,728) (9,562,635)
<u>(1,162,343)</u>	<u>(2,953,069)</u>	<u>2,840,844</u>	<u>(1,681,867)</u>
			460,000
			460,000
			(233,449) 1,130
			<u>(232,319)</u>
<u>536,332</u>	<u>470,543</u>	<u>99,030</u>	<u>1,105,905</u>
<u>536,332</u>	<u>470,543</u>	<u>99,030</u>	<u>1,105,905</u>
(626,011)	(2,482,526)	2,939,874	(348,281)
<u>17,001,826</u>	<u>15,504,646</u>	<u>2,753,222</u>	<u>35,440,155</u>
\$ <u>16,375,815</u>	\$ <u>13,022,120</u>	\$ <u>5,693,096</u>	\$ <u>35,091,874</u>
\$ <u>(565,156)</u>	\$ <u>(3,029,494)</u>	\$ <u>3,338,061</u>	\$ <u>(704,997)</u>
			209,972 1,071
	315,027	(250,846)	113,714 (227,306)
	(26,167)	25,715	25,550
(597,187)	(212,435)	114,308	(428,855)
		(386,394)	(1,196,016) 525,000
<u>(597,187)</u>	<u>76,425</u>	<u>(497,217)</u>	<u>(976,870)</u>
\$ <u>(1,162,343)</u>	\$ <u>(2,953,069)</u>	\$ <u>2,840,844</u>	\$ <u>(1,681,867)</u>



S U P P L E M E N T A L I N F O R M A T I O N

CITY OF MESA, ARIZONA

EXHIBIT D-1

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
LOCAL TRANSPORTATION ASSISTANCE FUND				
Revenues:				
Intergovernmental	\$ 10,425,000	\$ 10,425,000	\$ 5,580,381	\$ (4,844,619)
Investment Income	3,000	3,000	5,885	2,885
Miscellaneous	<u>-</u>	<u>-</u>	<u>932,031</u>	<u>932,031</u>
Total Revenues	<u>10,428,000</u>	<u>10,428,000</u>	<u>6,518,297</u>	<u>(3,909,703)</u>
Expenditures:				
Current:				
Community Environment	7,421,938	7,134,629	6,455,687	678,942
Capital Outlay	8,578,161	8,588,161	2,720,112	5,868,049
Contingencies	<u>10,000</u>	<u>287,309</u>	<u>-</u>	<u>287,309</u>
Total Expenditures	<u>16,010,099</u>	<u>16,010,099</u>	<u>9,175,799</u>	<u>6,834,300</u>
(Deficiency) of Revenues (Under) Expenditures	(5,582,099)	(5,582,099)	(2,657,502)	2,924,597
Other Financing Sources:				
Operating Transfers In	<u>4,996,000</u>	<u>4,996,000</u>	<u>2,780,000</u>	<u>(2,216,000)</u>
Net Change in Fund Balances	(586,099)	(586,099)	122,498	708,597
Fund Balance - Beginning	<u>586,870</u>	<u>586,870</u>	<u>4,849</u>	<u>(582,021)</u>
Fund Balance - Ending	<u>\$ 771</u>	<u>\$ 771</u>	<u>\$ 127,347</u>	<u>\$ 126,576</u>

(Continued)

CITY OF MESA, ARIZONA
EXHIBIT D-1 (Continued)
 NON-MAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
MESA HOUSING AUTHORITY FUND				
Revenues:				
Intergovernmental	\$ 9,918,000	\$ 9,918,000	\$ 9,235,459	\$ (682,541)
Charges For Services	341,000	341,000	390,221	49,221
Investment Income	9,000	9,000	8,131	(869)
Miscellaneous	<u>1,011,000</u>	<u>1,011,000</u>	<u>47,269</u>	<u>(963,731)</u>
Total Revenues	<u>11,279,000</u>	<u>11,279,000</u>	<u>9,681,080</u>	<u>(1,597,920)</u>
Expenditures:				
Current:				
Community Environment	10,794,743	10,794,743	10,062,997	731,746
Capital Outlay	22,257	22,257	576	21,681
Contingencies	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total Expenditures	<u>11,817,000</u>	<u>11,817,000</u>	<u>10,063,573</u>	<u>1,753,427</u>
(Deficiency) of Revenues (Under) Expenditures	(538,000)	(538,000)	(382,493)	155,507
Other Financing Sources:				
Operating Transfers In	<u>538,000</u>	<u>538,000</u>	<u>400,000</u>	<u>(138,000)</u>
Net Change in Fund Balances	-	-	17,507	17,507
Fund Balance - Beginning	<u>799</u>	<u>799</u>	<u>18,958</u>	<u>18,159</u>
Fund Balance - Ending	<u>\$ 799</u>	<u>\$ 799</u>	<u>\$ 36,465</u>	<u>\$ 35,666</u>

(Continued)

CITY OF MESA, ARIZONA
EXHIBIT D-1 (Continued)
 NON-MAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
CEMETERY FUND				
Revenues:				
Charges For Services	\$ 114,000	\$ 114,000	\$ 98,320	\$ (15,680)
Investment Income	<u>238,000</u>	<u>238,000</u>	<u>118,664</u>	<u>(119,336)</u>
Total Revenues	<u>352,000</u>	<u>352,000</u>	<u>216,984</u>	<u>(135,016)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	352,000	352,000	216,984	(135,016)
Other Financing Sources:				
Operating Transfers In	<u>450,000</u>	<u>450,000</u>	<u>465,000</u>	<u>15,000</u>
Net Change in Fund Balances	802,000	802,000	681,984	(120,016)
Fund Balance - Beginning	<u>4,294,243</u>	<u>4,294,243</u>	<u>4,222,102</u>	<u>(72,141)</u>
Fund Balance - Ending	<u><u>\$ 5,096,243</u></u>	<u><u>\$ 5,096,243</u></u>	<u><u>\$ 4,904,086</u></u>	<u><u>\$ (192,157)</u></u>

(Continued)

CITY OF MESA, ARIZONA
EXHIBIT D-1 (Continued)
 NON-MAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
PUBLIC ART FUND				
Revenues:				
Investment Income	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$ 18,347</u>	<u>\$ (5,653)</u>
Total Revenues	<u>24,000</u>	<u>24,000</u>	<u>18,347</u>	<u>(5,653)</u>
Expenditures:				
Capital Outlay	<u>890,000</u>	<u>890,000</u>	<u>66,734</u>	<u>823,266</u>
Total Expenditures	<u>890,000</u>	<u>890,000</u>	<u>66,734</u>	<u>823,266</u>
(Deficiency) of Revenues (Under) Expenditures	(866,000)	(866,000)	(48,387)	817,613
Other Financing Sources:				
Operating Transfers In	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net Change in Fund Balances	(666,000)	(666,000)	151,613	817,613
Fund Balance - Beginning	<u>714,059</u>	<u>714,059</u>	<u>714,525</u>	<u>466</u>
Fund Balance - Ending	<u><u>\$ 48,059</u></u>	<u><u>\$ 48,059</u></u>	<u><u>\$ 866,138</u></u>	<u><u>\$ 818,079</u></u>

(Continued)

CITY OF MESA, ARIZONA
EXHIBIT D-1 (Continued)
 NON-MAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
DEVELOPMENT IMPACT FEES FUND				
Revenues:				
Licenses & Permits	\$ 9,843,000	\$ 9,843,000	\$ 6,520,648	\$ (3,322,352)
Investment Income	<u>3,319,000</u>	<u>3,319,000</u>	<u>210,366</u>	<u>(3,108,634)</u>
Total Revenues	<u>13,162,000</u>	<u>13,162,000</u>	<u>6,731,014</u>	<u>(6,430,986)</u>
Expenditures:				
Capital Outlay	6,135,355	4,505,355	1,280,950	3,224,405
Contingencies	3,000,000	4,630,000	-	4,630,000
Debt Service:				
Principal Retirement	2,350,256	2,350,256	2,350,255	1
Interest on Notes and Bonds	<u>4,493,874</u>	<u>4,493,874</u>	<u>3,234,109</u>	<u>1,259,765</u>
Total Expenditures	<u>15,979,485</u>	<u>15,979,485</u>	<u>6,865,314</u>	<u>9,114,171</u>
(Deficiency) of Revenues (Under) Expenditures	(2,817,485)	(2,817,485)	(134,300)	2,683,185
Fund Balance - Beginning	<u>6,948,908</u>	<u>6,948,908</u>	<u>7,010,651</u>	<u>61,743</u>
Fund Balance - Ending	<u>\$ 4,131,423</u>	<u>\$ 4,131,423</u>	<u>\$ 6,876,351</u>	<u>\$ 2,744,928</u>

(Continued)

CITY OF MESA, ARIZONA
EXHIBIT D-1 (Concluded)
 NON-MAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
RECAP				
Revenues:				
Licenses & Permits	\$ 9,843,000	\$ 9,843,000	\$ 6,520,648	\$ (3,322,352)
Intergovernmental	20,343,000	20,343,000	14,815,840	(5,527,160)
Charges For Services	455,000	455,000	488,541	33,541
Investment Income	3,593,000	3,593,000	361,393	(3,231,607)
Miscellaneous	<u>1,011,000</u>	<u>1,011,000</u>	<u>979,300</u>	<u>(31,700)</u>
Total Revenues	<u>35,245,000</u>	<u>35,245,000</u>	<u>23,165,722</u>	<u>(12,079,278)</u>
Expenditures:				
Current:				
Community Environment	18,216,681	17,929,372	16,518,684	1,410,688
Capital Outlay	15,625,773	14,005,773	4,068,372	9,937,401
Contingencies	4,010,000	5,917,309	-	5,917,309
Principal Retirement	2,350,256	2,350,256	2,350,255	1
Interest on Notes and Bonds	<u>4,493,874</u>	<u>4,493,874</u>	<u>3,234,109</u>	<u>1,259,765</u>
Total Expenditures	<u>44,696,584</u>	<u>44,696,584</u>	<u>26,171,420</u>	<u>18,525,164</u>
(Deficiency) of Revenues (Under) Expenditures	(9,451,584)	(9,451,584)	(3,005,698)	6,445,886
Other Financing Sources:				
Operating Transfers In	<u>6,184,000</u>	<u>6,184,000</u>	<u>3,845,000</u>	<u>(2,339,000)</u>
Net Change in Fund Balances	(3,267,584)	(3,267,584)	839,302	4,106,886
Fund Balance - Beginning	<u>12,544,879</u>	<u>12,544,879</u>	<u>11,971,085</u>	<u>(573,794)</u>
Fund Balance - Ending	<u>\$ 9,277,295</u>	<u>\$ 9,277,295</u>	<u>\$ 12,810,387</u>	<u>\$ 3,533,092</u>

CITY OF MESA, ARIZONA

EXHIBIT D-2

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULES OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance With Final Budget - Positive (Negative)
LOCAL TRANSPORTATION				
ASSISTANCE FUND				
Community Environment:				
Mass Transit	\$ 16,000,099	\$ 15,722,790	\$ 9,175,799	\$ 6,546,991
Total Community Environment	16,000,099	15,722,790	9,175,799	6,546,991
Less: Capital Outlay Expenditures	8,578,161	8,588,161	2,720,112	5,868,049
Total Current Expenditures	7,421,938	7,134,629	6,455,687	678,942
Contingencies	10,000	287,309	-	287,309
Total Local Transportation Assistance				
Fund Expenditures	<u>\$ 16,010,099</u>	<u>\$ 16,010,099</u>	<u>\$ 9,175,799</u>	<u>\$ 6,834,300</u>
MESA HOUSING AUTHORITY				
Community Environment				
Mesa Housing Authority	\$ 10,817,000	\$ 10,817,000	\$ 10,063,573	\$ 753,427
Total Community Environment	10,817,000	10,817,000	10,063,573	753,427
Less: Capital Outlay Expenditures	22,257	22,257	576	21,681
Total Current Expenditures	10,794,743	10,794,743	10,062,997	731,746
Contingencies	1,000,000	1,000,000	-	1,000,000
Total Mesa Housing Authority				
Fund Expenditures	<u>\$ 11,817,000</u>	<u>\$ 11,817,000</u>	<u>\$ 10,063,573</u>	<u>\$ 1,753,427</u>
CEMETERY FUND				
Community Environment:				
Cemetery	\$ -	\$ -	\$ -	\$ -
Total Cemetery Fund Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY OF MESA, ARIZONA
EXHIBIT D-2 (Concluded)
 NON-MAJOR SPECIAL REVENUE FUNDS
 SCHEDULES OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
PUBLIC ART FUND				
Cultural Recreational:				
Capital:				
Cultural	\$ 890,000	\$ 890,000	\$ 66,734	\$ 823,266
Total Public Art Fund Expenditures	<u>\$ 890,000</u>	<u>\$ 890,000</u>	<u>\$ 66,734</u>	<u>\$ 823,266</u>
DEVELOPMENT IMPACT FEES FUND				
Public Safety				
Debt Service:				
Law Enforcement	\$ 2,380,004	\$ 2,380,004	\$ 1,594,034	\$ 785,970
Fire Prevention	1,421,003	1,421,003	1,209,050	211,953
Total Public Safety	<u>3,801,007</u>	<u>3,801,007</u>	<u>2,803,084</u>	<u>997,923</u>
Cultural-Recreational:				
Capital Outlay:				
Library	3,490,000	3,490,000	1,058,309	2,431,691
Parks & Recreation	1,645,355	1,015,355	222,641	792,714
Cultural Facilities	1,000,000	-	-	-
Debt Service:				
Library	376,495	376,495	207,919	168,576
Parks & Recreation	2,666,628	2,666,628	2,573,361	93,267
Total Cultural-Recreational	<u>9,178,478</u>	<u>7,548,478</u>	<u>4,062,230</u>	<u>3,486,248</u>
Contingencies	<u>3,000,000</u>	<u>4,630,000</u>	<u>-</u>	<u>4,630,000</u>
Total Development Impact Fees Fund Expenditures	<u>\$ 15,979,485</u>	<u>\$ 15,979,485</u>	<u>\$ 6,865,314</u>	<u>\$ 9,114,171</u>
RECAP				
Public Safety	\$ 3,801,007	\$ 3,801,007	\$ 2,803,084	\$ 997,923
Cultural Recreational	10,068,478	8,438,478	4,128,964	4,309,514
Community Environment	26,817,099	26,539,790	19,239,372	7,300,418
Contingencies	4,010,000	5,917,309	-	5,917,309
Total Nonmajor Special Revenue Funds Expenditures	<u>\$ 44,696,584</u>	<u>\$ 44,696,584</u>	<u>\$ 26,171,420</u>	<u>\$ 18,525,164</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
CAPITAL PROJECTS FUNDS				
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 166,944	\$ 166,944
Miscellaneous	-	-	541,593	541,593
Total Revenues	-	-	708,537	708,537
Expenditures:				
Capital Outlay	165,733,000	165,733,000	113,647,366	52,085,634
Total Expenditures	165,733,000	165,733,000	113,647,366	52,085,634
(Deficiency) of Revenues (Under) Expenditures	(165,733,000)	(165,733,000)	(112,938,829)	52,794,171
Other Financing Sources:				
Proceeds From Bond Sales	116,624,794	116,624,794	110,638,606	(5,986,188)
Operating Transfers In	4,998,000	4,998,000	4,259,500	(738,500)
Net Change in Fund Balance	(44,110,206)	(44,110,206)	1,959,277	46,069,483
Fund Balances-Beginning	48,275,631	48,275,631	42,950,265	(5,325,366)
Fund Balances-Ending	<u>\$ 4,165,425</u>	<u>\$ 4,165,425</u>	<u>\$ 44,909,542</u>	<u>\$ 40,744,117</u>

Budget Basis

Actual amounts (budgetary basis) "Net Change in Fund Balance" from the
 budgetary comparison schedule

\$ 1,959,277

Perspective Differences:

Proprietary Capital Project Funds

(6,488,396)

Entity Differences:

Non-Budgeted Capital Leases

(3,666,336)

GAAP Basis

Actual amount (GAAP basis) "Net Change in Fund Balance" as reported on
 the Statement of Revenues, Expenditures and Changes in
 Fund Balances - Non-major Capital Project Funds Exhibit C-8

\$ (8,195,455)

CITY OF MESA, ARIZONA

EXHIBIT D-4

ENTERPRISE FUND

SCHEDULE OF REVENUES, EXPENSES AND

CHANGES IN NET ASSETS - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance With Final Budget - Positive (Negative)
Revenues:				
Electric	\$ 62,497,000	\$ 62,497,000	\$ 29,525,808	\$ (32,971,192)
Gas	35,970,000	35,970,000	26,680,109	(9,289,891)
Water	81,295,000	81,295,000	79,843,187	(1,451,813)
Wastewater	52,626,000	52,626,000	45,313,252	(7,312,748)
Solid Waste	31,985,000	31,985,000	30,075,339	(1,909,661)
Airport	7,503,000	7,503,000	3,450,398	(4,052,602)
Golf Course	2,453,000	2,453,000	2,365,925	(87,075)
Mesa Centennial Center	1,346,000	1,346,000	1,381,874	35,874
Less: Bad Debt Expense	(600,000)	(600,000)	(757,079)	(157,079)
Total Revenues	<u>275,075,000</u>	<u>275,075,000</u>	<u>217,878,813</u>	<u>(57,196,187)</u>
Expenses:				
Electric	55,718,000	54,103,615	24,146,661	29,956,954
Gas	30,872,000	29,738,847	21,212,291	8,526,556
Water	45,551,000	47,523,551	47,523,551	-
Wastewater	41,387,000	41,163,208	35,482,849	5,680,359
Solid Waste	22,490,000	22,035,799	21,988,602	47,197
Airport	6,166,000	8,013,703	3,397,586	4,616,117
Golf Course	2,489,000	2,140,000	2,016,135	123,865
Mesa Centennial Center	3,463,000	3,481,654	3,029,967	451,687
Contingencies	16,184,000	16,119,623	-	16,119,623
Total Expenses	<u>224,320,000</u>	<u>224,320,000</u>	<u>158,797,642</u>	<u>65,522,358</u>
Income Before Operating Transfers	50,755,000	50,755,000	59,081,171	8,326,171
Other Operating (Uses):				
Operating Transfers Out	<u>(54,927,000)</u>	<u>(54,927,000)</u>	<u>(60,000,000)</u>	<u>(5,073,000)</u>
Change in Net Assets	(4,172,000)	(4,172,000)	(918,829)	3,253,171
Unappropriated Net Assets - Beginning	4,633,712	4,633,712	8,556,297	3,922,585
(Increase) Decrease in Restricted Net Assets	<u>(461,712)</u>	<u>(461,712)</u>	<u>454,834</u>	<u>916,546</u>
Unappropriated Net Assets - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,092,302</u>	<u>\$ 8,092,302</u>

CITY OF MESA, ARIZONA
EXHIBIT D-5
 ENTERPRISE FUND
 RECONCILIATION OF BUDGET TO GAAP
 CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Budget Basis

Actual Amounts (Budgetary Basis)	
"Change in Net Assets" from Exhibit D-4	\$ (918,829)

Basis Differences:

Compensated Absences	(1,016,284)
Capitalized Interest	4,521,602
Contractual Commitments	(507,391)
Utility Revenue Accrual	648,589

Perspective Differences:

Premiums on Bonds Sold	179,287
Grants and Contributions	14,390,102
Transfer of Capital Assets to Governmental Activities	(36,961,247)

Timing Differences:

Water Rights	3,027,500
Capital Expenditures	10,957,916
Depreciation - Amortization	(20,474,492)
Investment in Joint Ventures	(7,050,348)
Refunding Proceeds	(1,333,442)
Loss on Disposal of Assets	(655,778)
Bond Principal and Reserves	21,331,099
Amortization of Bond Premiums	531,508
Deferred Revenue and Issuance Costs	(642,846)

Entity Differences:

Municipal Development Corp.	<u>(232,020)</u>
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GAAP Basis

Actual Amount (GAAP Basis)	
"Change in Net Assets" from Exhibit A-8	\$ <u><u>(14,205,074)</u></u>

CITY OF MESA, ARIZONA
EXHIBIT D-6
INTERNAL SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
WAREHOUSE, MAINTENANCE AND SERVICES				
Revenues:				
Charges For Services:				
Materials and Supply	\$ 1,011,318	\$ 1,011,318	\$ 1,229,962	\$ 218,644
Printing and Graphics	1,453,941	1,453,941	1,460,901	6,960
Fleet Support Services	12,132,848	12,132,848	12,486,552	353,704
Miscellaneous Services	<u>2,883,813</u>	<u>2,883,813</u>	<u>3,883,412</u>	<u>999,599</u>
Total Revenues	<u>17,481,920</u>	<u>17,481,920</u>	<u>19,060,827</u>	<u>1,578,907</u>
Expenses:				
Materials and Supply	1,167,318	1,117,318	1,349,734	232,416
Printing and Graphics	1,456,640	1,453,348	1,461,052	7,704
Fleet Support Services	12,551,848	12,405,087	12,826,255	421,168
Miscellaneous Services	2,883,813	2,883,813	3,883,412	999,599
Contingencies	<u>272,000</u>	<u>472,053</u>	<u>-</u>	<u>(472,053)</u>
Total Expenses	18,331,619	18,331,619	19,520,453	1,188,834
Loss Before Transfers	(849,699)	(849,699)	(459,626)	390,073
Transfers In	<u>850,000</u>	<u>850,000</u>	<u>460,000</u>	<u>(390,000)</u>
Change in Net Assets	301	301	374	73
Unappropriated Net Assets - Beginning	<u>-</u>	<u>-</u>	<u>982</u>	<u>982</u>
Unappropriated Net Assets - Ending	<u>\$ 301</u>	<u>\$ 301</u>	<u>\$ 1,356</u>	<u>\$ 1,055</u>

CITY OF MESA, ARIZONA

EXHIBIT D-7

INTERNAL SERVICE FUNDS (MANAGEMENT BUDGETED ONLY)

SCHEDULE OF REVENUES, EXPENSES AND

CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance With Final Budget - Positive (Negative)
EMPLOYEE BENEFIT FUNDS				
Revenues:				
Investment Income	\$ 200,000	\$ 200,000	\$ 99,722	\$ (100,278)
Contributions	16,186,000	16,186,000	18,487,638	2,301,638
Miscellaneous	20,000	20,000	140,412	120,412
Total Revenues	<u>16,406,000</u>	<u>16,406,000</u>	<u>18,727,772</u>	<u>2,321,772</u>
Expenses:				
Administrative and Other Fees	2,475,000	2,475,000	2,408,768	(66,232)
Claims Incurred	<u>14,452,000</u>	<u>14,452,000</u>	<u>13,267,614</u>	<u>(1,184,386)</u>
Total Expenses	16,927,000	16,927,000	15,676,382	(1,250,618)
Change in Net Assets	(521,000)	(521,000)	3,051,390	3,572,390
Unappropriated Net Assets - Beginning	<u>3,109,592</u>	<u>3,109,592</u>	<u>1,691,975</u>	<u>(1,417,617)</u>
Unappropriated Net Assets - Ending	<u>\$ 2,588,592</u>	<u>\$ 2,588,592</u>	<u>\$ 4,743,365</u>	<u>\$ 2,154,773</u>

CITY OF MESA, ARIZONA
EXHIBIT D-8
INTERNAL SERVICE FUND
RECONCILIATION OF BUDGET TO GAAP
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Budget Basis

Actual Amounts (Budgetary Basis)		
"Change in Net Assets" from Exhibit D-6	\$	374

Basis Differences:

Compensation Absences		(237,365)
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Timing Differences:

Capital Expenditures		233,448
Depreciation - Amortization		(209,972)
Loss on Disposal of Assets		(1,071)
Inventory Increase		227,307

Entity Differences:

Non-Budgeted Self-Insurance Funds		<u>724,771</u>
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GAAP Basis

Actual Amount (GAAP Basis)		
"Change in Net Assets" from Exhibit A-8	\$	<u><u>737,493</u></u>

CITY OF MESA, ARIZONA

EXHIBIT D-9

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY SOURCE

JUNE 30, 2002

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$ 188,712,556
Buildings	140,343,460
Other Improvements	92,690,785
Machinery and Equipment	99,226,903
Infrastructure	485,771,019
Construction in Progress	<u>195,757,408</u>
Total Governmental Funds Capital Assets	\$ <u><u>1,202,502,131</u></u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS

Investment in Property Acquired Prior to July 1, 1978:	
Source Indeterminable	\$ <u>3,648,521</u>
Investment in Property Acquired After June 30, 1978 From:	
General Obligation Bonds	382,005,362
Highway User Revenue Bonds	20,744,318
Federal Revenue Sharing	2,559,383
Federal Aid	23,984,718
General Revenue	345,529,284
Contributions From Developers	336,350,451
Contributions From Other Gov't	7,987,759
Contributions - Indeterminant Funding	79,692,335
Total	<u>1,198,853,610</u>
Total Investment in Governmental Funds Capital Assets	\$ <u><u>1,202,502,131</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the statement of net assets.

CITY OF MESA, ARIZONA

EXHIBIT D-10

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY

AS OF JUNE 30, 2002

	<u>Land</u>	<u>Buildings</u>	<u>Other Improvements</u>	<u>Machinery & Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
General Government:						
Mayor & Council	\$	\$ 1,472,454	\$	\$ 61,027	\$	\$ 1,533,481
City Court		5,382,817	338,809	291,674		6,013,300
Staff Agencies:						
City Manager		947,292	40,035	1,083,558		2,070,885
City Attorney		162,132	101,710	184,599		448,441
City Clerk		186,709	35,865	80,629		303,203
Information Services		3,320,279	762,318	24,249,388		28,331,985
Finance		560,762	289,473	1,685,881		2,536,116
General Services		6,993,612	1,597,310	2,539,600		11,130,522
Planning & Community Development		15,701,584	3,096,992	612,443		19,411,019
Real Estate Services	76,278,711	1,402,809	5,771	68,629		77,755,920
Wms Gateway Economic Activity Area				29,035		29,035
Total General Government	<u>76,278,711</u>	<u>36,130,450</u>	<u>6,268,283</u>	<u>30,886,463</u>	<u>-</u>	<u>149,563,907</u>
Public Safety:						
Fire		10,320,016	831,726	19,852,351		31,004,093
Police		30,587,201	3,016,912	26,500,192		60,104,305
Environmental Programs & Code Compliance		150,317		412,657		562,974
Total Public Safety	<u>-</u>	<u>41,057,534</u>	<u>3,848,638</u>	<u>46,765,200</u>	<u>-</u>	<u>91,671,372</u>
Engineering & Building Services		21,603,404	3,749,955	3,266,901		28,620,260
Library		11,257,493	570,023	986,274		12,813,790
Parks & Rec/ Community Services		27,745,391	76,260,648	8,327,453		112,333,492
Transportation/Streets	112,433,845	1,452,573	553,489	8,836,936	400,859,627	524,136,470
Storm Sewer					84,911,392	84,911,392
Housing Authority		1,096,615	1,420,433	137,827		2,654,875
Utilities			19,316	19,849		39,165
Total Other Functions	<u>112,433,845</u>	<u>63,155,476</u>	<u>82,573,864</u>	<u>21,575,240</u>	<u>485,771,019</u>	<u>765,509,444</u>
Total Governmental Funds Capital Assets Allocated to Functions	<u>\$ 188,712,556</u>	<u>\$ 140,343,460</u>	<u>\$ 92,690,785</u>	<u>\$ 99,226,903</u>	<u>\$ 485,771,019</u>	<u>\$ 1,006,744,723</u>
Construction in Progress						\$ 195,757,408
Total Governmental Funds Capital Assets						<u>\$ 1,202,502,131</u>

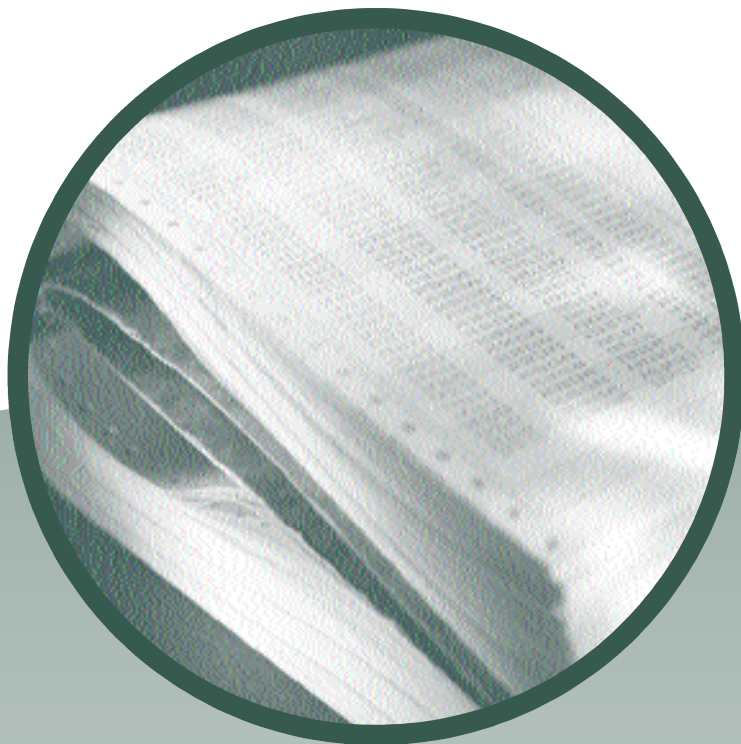
This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the statement of net assets.

CITY OF MESA, ARIZONA

EXHIBIT D-11CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Balance July 1, 2001	Additions	Retirements	Transfers	Balance June 30, 2002
General Government:					
Mayor and Council	\$ 1,533,481	\$	\$	\$	\$ 1,533,481
City Court	6,013,300				6,013,300
Staff Agencies:					
City Manager	1,997,284	99,741	9,714	(16,426)	2,070,885
City Attorney	443,099	5,342			448,441
City Clerk	294,697	8,506			303,203
Information Services	24,711,532	4,257,227	594,109	(42,665)	28,331,985
Finance	1,935,086	598,201	6,710	9,539	2,536,116
General Services	9,803,937	1,506,291	192,955	13,249	11,130,522
Planning and Community Development	18,291,864	1,242,458	128,414	5,111	19,411,019
Real Estate Services	72,779,148	5,000,521	23,166	(583)	77,755,920
Williams Gateway Economic Activity		8,117		20,918	29,035
Total General Government	137,803,428	12,726,404	955,068	(10,857)	149,563,907
Public Safety:					
Fire	24,769,848	6,480,541	246,296		31,004,093
Police	38,748,651	23,187,072	1,851,878	20,460	60,104,305
Environmental Pgms & Code Compliance	387,409	188,680	13,115		562,974
Total Public Safety	63,905,908	29,856,293	2,111,289	20,460	91,671,372
Engineering and Building Services	23,795,280	4,920,412	126,017	30,585	28,620,260
Library	12,850,702	(16,516)	20,396		12,813,790
Parks and Recreation/Community Services	86,175,073	26,391,026	266,553	33,946	112,333,492
Transportation/Streets	497,318,171	27,502,306	632,419	(51,588)	524,136,470
Storm Sewer	38,639,813	3,246,131	5,514	43,030,962	84,911,392
Housing Authority	2,654,471	404			2,654,875
Utilities	9,133	85,069	23,922	(31,115)	39,165
Total Other Functions	661,442,643	62,128,832	1,074,821	43,012,790	765,509,444
Construction in Progress	207,943,870	90,516,210	102,702,672		195,757,408
Total Governmental Funds Capital Assets	\$ 1,071,095,849	\$ 195,227,739	\$ 106,843,850	\$ 43,022,393	\$ 1,202,502,131

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the statement of net assets.



STATISTICAL SECTION

CITY OF MESA, ARIZONA

TABLE IGENERAL GOVERNMENTAL, ENTERPRISE AND
INTERNAL SERVICE EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS (GAAP BASIS)

EXPENDITURES BY FUNCTION	2001-02	2000-01	1999-00	1998-99
General Governmental:				
Current:				
General Government	\$ 34,413,634	\$ 32,158,977	\$ 30,495,284	\$ 25,950,817
Public Safety	152,211,510	143,663,306	131,414,608	114,122,259
Cultural-Recreational	45,139,625	43,370,223	41,572,154	36,916,715
Community Environment	48,793,335	43,641,860	41,483,266	38,232,446
Capital Outlay	90,516,208	77,341,312	94,405,447	69,037,834
Debt Service	34,425,906	34,192,886	31,787,399	28,748,066
Total General Governmental (1)	405,500,218	374,368,564	371,158,158	313,008,137
Enterprise:				
Current:				
Electric	19,121,117	31,602,175	20,857,164	20,908,752
Gas	18,464,466	27,465,844	17,666,909	16,431,311
Water	28,533,016	37,441,869	34,656,410	34,918,043
Wastewater	16,735,776	23,920,285	18,916,217	18,851,139
Solid Waste	19,853,136	21,231,124	18,764,580	18,353,996
Irrigation				
Aquatics				
Airport	1,356,241	2,076,301	1,803,138	1,655,089
Golf Course	2,016,682	2,408,720	2,244,124	2,213,208
Centennial Center	2,809,037	3,063,794	2,844,964	2,599,724
Debt Service (Interest)	15,131,643	15,996,703	10,916,096	10,772,038
Total Enterprise	124,021,114	165,206,815	128,669,602	126,703,300
Internal Service:				
Current:				
Warehouse and Services	19,298,133	19,179,413	17,914,377	15,824,454
Self-Insurance	19,024,674	18,064,760	17,771,700	16,031,049
Total Internal Service	38,322,807	37,244,173	35,686,077	31,855,503
TOTAL EXPENDITURES BY FUNCTION	\$ 567,844,139	\$ 576,819,552	\$ 535,513,837	\$ 471,566,940
EXPENDITURES BY FUND				
General	\$ 268,117,161	\$ 252,733,765	244,641,841	\$ 208,255,626
Special Revenue	41,724,185	47,085,096	43,633,489	40,052,373
Debt Service	34,425,906	34,192,886	31,787,399	28,748,066
Capital Projects	61,232,966	40,356,817	51,095,429	35,952,072
Enterprise	124,021,114	165,206,815	128,669,602	126,703,300
Internal Service	38,322,807	37,244,173	35,686,077	31,855,503
TOTAL EXPENDITURES BY FUND	\$ 567,844,139	\$ 576,819,552	\$ 535,513,837	\$ 471,566,940

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

TABLE I
(Continued)

<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>	<u>1993-94</u>	<u>1992-93</u>
\$ 22,390,947	\$ 20,948,080	\$ 18,771,213	\$ 16,410,366	\$ 15,696,239	\$ 11,762,177
104,010,364	95,641,021	85,365,634	74,763,008	66,656,747	61,189,352
29,700,695	27,909,485	23,049,002	20,876,271	18,762,591	17,003,473
33,640,993	36,440,078	30,969,283	33,099,527	30,219,546	24,171,972
57,670,762	67,774,537	48,485,487	33,986,639	27,966,984	22,547,596
25,170,587	18,377,746	15,453,222	17,772,063	17,803,070	17,227,805
<u>272,584,348</u>	<u>267,090,947</u>	<u>222,093,841</u>	<u>196,907,874</u>	<u>177,105,177</u>	<u>153,902,375</u>
19,248,439	18,945,665	19,076,497	18,760,586	17,949,531	18,223,852
16,858,449	16,018,965	13,842,903	13,178,758	12,972,757	12,608,695
30,815,931	33,696,874	26,687,685	25,345,890	22,794,243	21,261,708
18,592,319	20,890,216	24,807,953	14,395,479	12,864,067	12,510,638
16,938,937	16,095,971	17,519,679	16,739,785	14,758,683	13,901,835
					258,721
1,823,346	1,750,577	1,775,803	1,636,222	1,477,190	1,274,783
1,555,751	1,601,574	1,413,368	1,367,998	1,109,413	1,096,483
2,139,323	2,000,426	2,074,183	1,980,120	1,844,110	1,767,745
2,507,104	2,486,804	2,399,737	2,269,044	2,159,561	2,206,141
11,765,334	10,322,831	10,105,944	10,872,608	11,301,683	12,341,680
<u>122,244,933</u>	<u>123,809,903</u>	<u>119,703,752</u>	<u>106,546,490</u>	<u>99,231,238</u>	<u>97,452,281</u>
15,881,193	14,872,879	13,811,952	13,440,770	12,759,603	12,319,296
12,276,758	13,160,962	12,056,014	11,885,610	10,011,072	10,489,151
<u>28,157,951</u>	<u>28,033,841</u>	<u>25,867,966</u>	<u>25,326,380</u>	<u>22,770,675</u>	<u>22,808,447</u>
<u>\$ 422,987,232</u>	<u>\$ 418,934,691</u>	<u>\$ 367,665,559</u>	<u>\$ 328,780,744</u>	<u>\$ 299,107,090</u>	<u>\$ 274,163,103</u>
\$ 186,381,942	\$ 177,880,280	\$ 158,050,227	\$ 136,852,031	\$ 117,537,508	\$ 103,385,839
28,443,822	31,401,132	24,755,434	28,682,644	24,840,313	20,970,296
25,170,587	18,377,746	15,453,222	17,772,063	17,803,070	17,227,805
32,587,997	39,431,789	23,834,958	13,601,136	16,924,286	12,318,435
122,244,933	123,809,903	119,703,752	106,546,490	99,231,238	97,452,281
28,157,951	28,033,841	25,867,966	25,326,380	22,770,675	22,808,447
<u>\$ 422,987,232</u>	<u>\$ 418,934,691</u>	<u>\$ 367,665,559</u>	<u>\$ 328,780,744</u>	<u>\$ 299,107,090</u>	<u>\$ 274,163,103</u>

CITY OF MESA, ARIZONA

TABLE IAGENERAL GOVERNMENTAL AND ENTERPRISE EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS (BUDGET BASIS)

EXPENDITURES BY FUNCTION	2001-02	2000-01	1999-00	1998-99
General Governmental:				
Judicial	\$ 7,627,665	\$ 7,835,950	\$ 6,843,845	\$ 6,625,920
Other General Government	37,229,986	39,387,574	34,661,037	30,106,121
Law Enforcement	113,406,378	104,782,524	100,203,185	85,603,798
Fire Prevention	42,093,201	40,401,102	36,752,225	32,812,793
Other Public Safety	9,598,427	8,701,244	7,548,456	6,261,552
Parks and Recreation	27,638,114	28,245,824	25,608,906	21,910,568
Library	13,233,130	12,247,983	11,930,573	11,674,252
Other Cultural Recreational	17,423,522	17,530,911	26,641,484	11,841,045
Streets	37,738,223	35,922,647	36,732,892	41,282,575
Mesa Housing Authority	10,063,573	8,812,168	8,409,393	7,743,877
Storm Sewer	7,071,106	9,359,832	9,586,726	9,025,979
Other Community Environment	20,085,242	19,183,378	15,273,856	11,735,477
Internal Service (Net)	459,626	587,203	511,434	220,232
Capital Projects-General Govt.	56,456,501	36,167,927	34,421,084	30,544,195
Total General Governmental (1)	<u>400,124,694</u>	<u>369,166,267</u>	<u>355,125,096</u>	<u>307,388,384</u>
Enterprise:				
Electric	24,146,661	34,340,522	24,029,977	23,362,371
Gas	21,212,291	29,764,852	20,036,035	18,964,617
Water	47,523,551	46,737,722	43,560,858	41,403,351
Wastewater	35,482,849	41,053,415	37,561,138	36,688,151
Solid Waste	21,988,602	21,226,055	18,549,298	18,587,134
Irrigation				
Aquatics				
Airport	3,397,586	4,530,020	3,564,608	1,830,653
Golf Course	2,016,135	2,155,136	2,560,139	2,249,721
Centennial Center	3,029,967	2,770,035	2,668,991	2,352,355
Capital Projects-Enterprise	57,190,865	63,337,741	56,112,310	55,412,904
Total Enterprise	<u>215,988,507</u>	<u>245,915,498</u>	<u>208,643,354</u>	<u>200,851,257</u>
TOTAL EXPENDITURES BY FUNCTION	\$ <u>616,113,201</u>	\$ <u>615,081,765</u>	\$ <u>563,768,450</u>	\$ <u>508,239,641</u>
EXPENDITURES BY FUND				
General	\$ 283,772,633	\$ 273,431,182	266,440,677	\$ 226,838,097
Enterprise	158,797,642	182,577,757	152,531,044	145,438,353
Local Transportation Assistance	9,175,799	10,313,298	7,190,958	4,492,431
Capital Improvement			242,246	2,236,748
Highway User Revenue	33,264,514	33,258,633	33,355,644	32,012,016
Development Impact Fees	6,865,314	6,411,454	4,946,416	3,344,440
Mesa Housing Authority	10,063,573	8,812,168	7,964,393	7,698,000
Cemetery Reserve			2,216	2,225
Public Art	66,734	184,402	50,028	
Internal Service	459,626	587,203	511,434	220,232
Capital Projects (2)	<u>113,647,366</u>	<u>99,505,668</u>	<u>90,533,394</u>	<u>85,957,099</u>
TOTAL EXPENDITURES BY FUND	\$ <u>616,113,201</u>	\$ <u>615,081,765</u>	\$ <u>563,768,450</u>	\$ <u>508,239,641</u>

(1) Includes General, Special Revenue, General Government Capital Projects and Internal Service Funds.

(2) Includes Enterprise and General Government Capital Projects.

TABLE IA
(Continued)

<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>	<u>1993-94</u>	<u>1992-93</u>
\$ 6,537,530	\$ 7,150,019	\$ 4,855,488	\$ 4,512,144	\$ 4,007,831	\$ 3,865,378
31,775,896	33,165,191	29,173,372	21,035,855	15,302,246	12,621,957
79,811,320	71,733,378	63,818,939	54,483,653	48,577,359	42,765,043
28,400,287	26,182,483	24,604,555	22,128,685	19,756,373	18,948,342
4,967,025	4,238,622	3,752,433	3,213,620	2,799,911	2,396,926
19,721,268	17,099,208	13,574,703	12,065,937	10,448,454	9,503,277
9,816,446	8,860,014	7,883,186	9,125,266	7,056,100	6,036,705
6,712,937	6,307,846	5,551,261	4,767,519	3,798,720	3,041,206
26,251,229	29,764,970	23,498,882	29,892,678	27,908,428	26,760,812
6,431,374	6,230,919	6,043,019	5,929,688	5,955,371	5,525,620
7,728,607	7,052,402	6,049,851	6,035,472	5,802,224	5,527,295
12,142,494	9,048,083	9,021,558	9,138,543	6,604,405	4,478,971
302,417	187,331	388,772	338,830	236,776	605,831
25,525,013	17,380,688	18,119,897	13,601,136	16,200,597	12,318,435
<u>266,123,843</u>	<u>244,401,154</u>	<u>216,335,916</u>	<u>196,269,026</u>	<u>174,454,795</u>	<u>154,395,798</u>
20,375,412	20,096,005	21,345,615	20,807,480	19,945,992	20,018,545
19,207,061	18,202,296	15,642,354	15,064,223	13,943,370	12,738,366
37,825,251	44,179,774	41,201,552	39,634,444	36,242,508	35,244,158
35,673,771	25,363,949	25,779,537	21,207,393	19,420,967	24,196,772
17,475,773	15,771,129	20,237,870	16,676,525	15,318,823	14,122,275
					246,698
1,723,351	1,601,336	1,644,177	1,501,744	1,451,084	1,197,949
2,907,133	1,446,449	1,901,164	2,646,421	1,318,966	1,645,538
2,193,307	2,146,282	2,259,499	2,294,710	2,151,045	1,948,792
2,270,265	2,237,566	3,051,136	2,531,455	2,166,256	2,008,194
33,171,605	42,762,506	30,078,156	21,067,126	10,687,991	15,580,642
<u>172,822,929</u>	<u>173,807,292</u>	<u>163,141,060</u>	<u>143,431,521</u>	<u>122,647,002</u>	<u>128,947,929</u>
\$ <u>438,946,772</u>	\$ <u>418,208,446</u>	\$ <u>379,476,976</u>	\$ <u>339,700,547</u>	\$ <u>297,101,797</u>	\$ <u>283,343,727</u>
\$ 206,052,288	\$ 189,930,765	\$ 168,671,404	\$ 148,325,650	\$ 128,036,490	\$ 115,288,748
139,651,324	131,044,786	133,062,904	122,364,395	111,959,011	113,367,287
4,277,621	3,941,146	3,200,639	3,480,068	1,818,711	2,982,566
1,688,351	2,012,190	1,269,807	1,764,421	1,167,280	1,500,111
21,844,494	25,334,634	18,641,398	22,829,003	21,038,752	16,173,487
6,431,374	5,610,802	6,043,019	5,929,688	5,955,371	5,525,620
2,285	3,598	980	230	818	1,000
302,417	187,331	388,772	338,830	236,776	605,831
58,696,618	60,143,194	48,198,053	34,668,262	26,888,588	27,899,077
\$ <u>438,946,772</u>	\$ <u>418,208,446</u>	\$ <u>379,476,976</u>	\$ <u>339,700,547</u>	\$ <u>297,101,797</u>	\$ <u>283,343,727</u>

CITY OF MESA, ARIZONA

TABLE II

REVENUES BY SOURCE AND FUND

LAST TEN FISCAL YEARS (GAAP BASIS)

REVENUES BY SOURCE	2001-02	2000-01	1999-00	1998-99
General Government:				
Taxes (1)	\$ 102,917,491	\$ 104,210,560	\$ 106,822,964	\$ 99,542,323
Special Assessments	68,388	547,069	538,211	629,955
Licenses and Permits	17,441,330	18,530,634	20,966,327	17,048,064
Intergovernmental	144,899,946	139,131,708	132,679,952	127,228,891
Charges For Services	9,492,864	9,122,804	9,260,179	9,433,129
Fines and Forfeitures	7,881,541	8,087,106	6,645,488	6,778,743
Interest	3,823,765	7,805,680	4,913,109	4,589,751
Miscellaneous	5,702,529	3,193,930	4,466,611	4,733,523
Total General Government (2)	<u>292,227,854</u>	<u>290,629,491</u>	<u>286,292,841</u>	<u>269,984,379</u>
Enterprise:				
Electric	29,166,639	47,633,217	28,258,296	30,819,177
Gas	26,502,312	31,806,589	21,848,317	18,698,224
Water	74,645,436	68,052,504	66,384,384	61,095,541
Wastewater	39,933,937	40,604,657	38,721,109	33,667,889
Solid Waste	29,605,827	26,926,747	25,064,909	23,007,485
Irrigation				
Aquatics				
Airport	1,789,167	1,792,993	1,809,448	1,645,552
Golf Course	2,364,190	2,282,644	2,241,265	2,467,969
Centennial Center	1,381,874	1,295,735	1,418,009	1,251,105
Capital Contributions	25,079,236	40,664,020		
Total Enterprise	<u>230,468,618</u>	<u>261,059,106</u>	<u>185,745,737</u>	<u>172,652,942</u>
Internal Service:				
Charges For Services	19,059,697	18,767,261	17,672,877	15,475,117
Self-Insurance	18,768,085	19,136,253	16,750,496	16,247,525
Interest	981,360	2,093,717	1,730,114	1,453,758
Total Internal Service	<u>38,809,142</u>	<u>39,997,231</u>	<u>36,153,487</u>	<u>33,176,400</u>
TOTAL REVENUES BY SOURCE	<u>\$ 561,505,614</u>	<u>\$ 591,685,828</u>	<u>\$ 508,192,065</u>	<u>\$ 475,813,721</u>
REVENUES BY FUND				
General	\$ 237,987,053	\$ 236,278,011	\$ 232,648,996	\$ 219,682,621
Special Revenue	53,499,900	53,025,563	50,441,582	47,803,712
Debt Service	122,837	1,199,001	1,261,876	1,352,873
Capital Projects	618,064	126,916	1,940,387	1,145,173
Enterprise	230,468,618	261,059,106	185,745,737	172,652,942
Internal Service	38,809,142	39,997,231	36,153,487	33,176,400
TOTAL REVENUES BY FUND	<u>\$ 561,505,614</u>	<u>\$ 591,685,828</u>	<u>\$ 508,192,065</u>	<u>\$ 475,813,721</u>

(1) Includes accrual of sales tax revenue beginning with fiscal year 1992-93.

(2) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

TABLE II
(Continued)

<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>	<u>1993-94</u>	<u>1992-93</u>
\$ 66,820,037	\$ 61,810,562	\$ 57,268,974	\$ 52,124,379	\$ 47,679,205	\$ 41,940,480
480,308	534,632	508,724	532,075	557,955	603,048
9,306,079	7,492,655	6,411,445	6,020,082	5,964,296	5,228,830
109,060,868	102,217,991	97,515,838	85,363,786	94,221,520	77,063,711
7,215,861	6,599,174	4,106,191	3,602,761	3,370,817	2,756,471
6,556,442	5,622,973	4,257,049	3,483,748	3,606,929	3,315,561
4,682,417	3,463,631	3,757,322	3,643,153	2,420,750	1,929,084
4,210,907	3,140,781	3,451,643	2,864,939	2,988,945	3,065,198
<u>208,332,919</u>	<u>190,882,399</u>	<u>177,277,186</u>	<u>157,634,923</u>	<u>160,810,417</u>	<u>135,902,383</u>
26,650,314	26,953,382	26,474,306	25,314,058	24,671,548	23,399,593
19,640,988	19,628,248	16,398,968	17,316,282	18,791,329	17,898,177
55,856,794	52,657,443	51,188,641	45,253,890	41,599,658	36,872,261
32,967,150	30,934,730	29,093,812	27,689,147	25,638,987	22,800,582
21,727,642	20,150,605	19,787,377	19,909,735	19,508,050	16,273,661
					131,706
443,054	407,412	407,660	406,666	349,066	277,454
1,552,220	1,437,313	1,339,469	1,297,950	1,285,235	1,306,844
2,442,740	2,493,124	2,468,361	2,200,189	2,310,030	2,068,629
1,496,790	1,322,434	1,258,936	1,047,937	1,086,713	999,438
<u>162,777,692</u>	<u>155,984,691</u>	<u>148,417,530</u>	<u>140,435,854</u>	<u>135,240,616</u>	<u>122,028,345</u>
15,707,847	14,673,788	13,674,350	13,290,867	12,602,466	12,039,981
12,893,110	14,712,984	12,429,332	11,427,096	10,360,534	9,486,889
1,306,287	1,080,382	801,227	518,398	238,218	188,354
<u>29,907,244</u>	<u>30,467,154</u>	<u>26,904,909</u>	<u>25,236,361</u>	<u>23,201,218</u>	<u>21,715,224</u>
<u>\$ 401,017,855</u>	<u>\$ 377,334,244</u>	<u>\$ 352,599,625</u>	<u>\$ 323,307,138</u>	<u>\$ 319,252,251</u>	<u>\$ 279,645,952</u>
\$ 167,747,956	\$ 150,930,431	\$ 136,710,175	\$ 126,531,692	\$ 117,277,136	\$ 100,846,681
38,157,175	37,543,189	32,087,726	29,759,331	28,671,047	27,428,934
1,878,252	1,330,415	741,804	832,166	891,397	969,090
549,536	1,078,364	7,737,481	511,734	13,970,837	6,657,678
162,777,692	155,984,691	148,417,530	140,435,854	135,240,616	122,028,345
29,907,244	30,467,154	26,904,909	25,236,361	23,201,218	21,715,224
<u>\$ 401,017,855</u>	<u>\$ 377,334,244</u>	<u>\$ 352,599,625</u>	<u>\$ 323,307,138</u>	<u>\$ 319,252,251</u>	<u>\$ 279,645,952</u>

CITY OF MESA, ARIZONA

TABLE IIA

REVENUES BY SOURCE AND FUND

LAST TEN FISCAL YEARS (BUDGET BASIS)

REVENUES BY SOURCE	2001-02	2000-01	1999-00	1998-99
General Government:				
Taxes	\$ 103,910,398	\$ 103,796,117	\$ 107,211,884	\$ 96,335,131
Licenses and Permits	17,445,223	18,538,954	20,971,107	17,053,216
State Shared	119,407,930	117,001,848	112,705,056	104,137,730
Federal Grants	23,822,072	18,170,324	15,004,882	14,716,836
State, County and Other Grants	1,945,468	4,377,008	3,305,549	7,498,607
Charges For Services	9,497,998	9,128,768	9,261,229	9,432,919
Fines and Forfeitures	10,088,043	10,406,245	8,891,664	9,645,562
Interest	4,958,637	7,683,185	4,503,998	4,003,420
Miscellaneous Revenues	5,351,364	3,074,004	4,317,819	4,559,612
Capital Projects-General	618,064	126,916	1,917,966	1,145,173
Bad Debts	(2,607,460)	(2,583,405)	(2,489,398)	(2,990,394)
Total General Government (1)	294,437,737	289,719,964	285,601,756	265,537,812
Enterprise:				
Electric	29,525,808	47,555,502	28,163,393	30,772,092
Gas	26,680,109	31,900,786	21,801,747	18,900,612
Water	79,843,187	74,202,471	73,713,991	69,467,687
Wastewater	45,313,252	47,527,852	45,051,707	43,217,032
Solid Waste	30,075,339	27,342,064	25,482,856	23,463,266
Irrigation				
Aquatics				
Airport	3,450,398	4,440,900	3,862,936	1,890,452
Golf Course	2,365,925	2,281,978	2,241,660	2,468,437
Centennial Center	1,381,874	1,295,735	1,418,009	1,251,105
Capital Projects-Enterprise	90,473	2,709,737	460,333	317,770
Bad Debts	(757,079)	(649,565)	(609,369)	(318,424)
Total Enterprise	217,969,286	238,607,460	201,587,263	191,430,029
TOTAL REVENUES BY SOURCE	\$ 512,407,023	\$ 528,327,424	\$ 487,189,019	\$ 456,967,841
REVENUES BY FUND				
General	\$ 240,319,773	\$ 236,588,585	\$ 233,221,108	\$ 216,578,819
Enterprise	217,878,813	235,897,723	201,126,930	191,112,259
Local Transportation Assistance	6,518,297	5,772,277	3,932,348	3,103,188
Cemetery Reserve	216,984	319,445	256,025	215,794
Public Art	18,347	26,868	14,317	6,974
Development Impact Fees	6,731,014	7,617,198	8,387,585	5,708,178
Capital Improvement			14,669	1,267,751
Highway User Revenue	30,334,178	30,769,349	30,273,583	29,947,981
Mesa Housing Authority	9,681,080	8,499,326	7,584,155	7,563,954
Capital Projects (2)	708,537	2,836,653	2,378,299	1,462,943
TOTAL REVENUES BY FUND	\$ 512,407,023	\$ 528,327,424	\$ 487,189,019	\$ 456,967,841

(1) Includes General, Special Revenue, and General Government Capital Projects Funds.

(2) Includes Enterprise and General Government Capital Projects.

TABLE IIA

(Continued)

1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
\$ 66,418,414	\$ 61,703,607	\$ 57,193,849	\$ 51,807,409	\$ 47,257,054	\$ 41,714,637
9,308,728	7,492,655	6,411,445	6,020,082	5,964,296	5,228,830
91,959,976	87,925,666	77,217,251	73,082,889	66,529,638	62,200,342
13,910,144	11,069,369	11,743,430	11,379,316	10,697,267	7,130,024
3,239,626	2,052,363	932,247	563,640	462,355	1,015,667
7,219,636	6,599,924	4,107,286	3,611,691	3,485,817	2,756,471
9,709,666	8,646,292	6,819,753	6,154,325	4,934,728	3,133,297
4,465,765	2,762,514	3,353,612	3,331,584	2,074,944	1,562,017
4,342,256	3,215,097	3,530,900	2,775,676	3,066,513	3,165,503
549,536	928,364	711,731	511,734	13,970,837	6,657,678
(3,362,295)	(3,247,843)	(2,796,964)	(2,820,646)	(1,495,260)	(75,249)
<u>207,761,452</u>	<u>189,148,008</u>	<u>169,224,540</u>	<u>156,417,700</u>	<u>156,948,189</u>	<u>134,489,217</u>
26,535,977	26,953,469	26,218,903	25,457,646	24,525,446	23,259,189
19,688,885	19,539,632	16,462,945	17,375,365	18,851,522	17,983,647
62,786,416	57,622,845	55,238,474	49,312,479	45,326,203	39,822,480
41,781,450	36,591,133	33,456,852	31,524,896	28,905,662	25,619,410
21,744,180	20,137,302	19,758,531	19,878,953	19,584,025	16,124,214
					130,979
443,054	407,412	407,660	406,666	349,066	277,454
2,749,010	1,659,602	1,880,438	2,877,059	1,762,885	2,147,555
2,442,742	2,493,124	2,467,256	2,197,075	2,308,172	2,066,830
1,496,790	1,322,434	1,258,936	1,047,937	1,086,713	999,438
84,331	73,680	70,073	103,157	85,863	415,320
(384,264)	(367,101)	(438,388)	(409,182)	(527,638)	(340,602)
<u>179,368,571</u>	<u>166,433,532</u>	<u>156,781,680</u>	<u>149,772,051</u>	<u>142,257,919</u>	<u>128,505,914</u>
\$ <u>387,130,023</u>	\$ <u>355,581,540</u>	\$ <u>326,006,220</u>	\$ <u>306,189,751</u>	\$ <u>299,206,108</u>	\$ <u>262,995,131</u>
\$ 169,064,849	\$ 150,676,455	\$ 136,425,083	\$ 126,146,635	\$ 114,306,305	\$ 100,402,605
179,284,240	166,359,852	156,711,607	149,668,894	142,172,056	128,090,594
2,772,910	2,596,869	3,059,412	2,720,673	2,826,218	2,843,440
331,356	297,670	281,784	260,497	199,883	81,022
128,176					
2,562,269	2,016,403	1,506,251	1,400,077	1,370,722	972,821
26,151,748	27,267,144	21,403,836	19,397,351	18,402,759	17,987,168
6,200,608	5,365,103	5,836,443	5,980,733	5,871,465	5,544,483
633,867	1,002,044	781,804	614,891	14,056,700	7,072,998
<u>\$ 387,130,023</u>	<u>\$ 355,581,540</u>	<u>\$ 326,006,220</u>	<u>\$ 306,189,751</u>	<u>\$ 299,206,108</u>	<u>\$ 262,995,131</u>

CITY OF MESA, ARIZONA

TABLE III

GENERAL REVENUES BY SOURCE (1)

LAST TEN FISCAL YEARS

(BUDGET BASIS)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits (Unrestricted)</u>	<u>Licenses and Permits (Restricted)</u>	<u>Inter- Governmental Revenues</u>
1992-93	\$ 41,714,637	\$ 5,228,830	\$	\$ 70,346,033
1993-94	47,257,054	5,964,296		77,689,260
1994-95	51,807,409	6,020,082		85,025,845
1995-96	57,193,849	6,411,445		89,892,928
1996-97	61,703,607	7,492,655		101,047,398
1997-98	66,418,414	9,308,728		109,109,746
1998-99	96,335,131	11,409,324	5,643,892	126,353,173
1999-00	107,211,884	12,808,925	8,162,182	131,015,487
2000-01	103,796,117	11,319,903	7,219,051	139,549,180
2001-02	103,910,398	10,924,575	6,520,648	145,175,470

(1) Includes General and Special Revenue Funds.

TABLE III
(Continued)

Charges For Services	Fines and Forfeitures	Interest and Miscellaneous	Total
\$ 2,756,471	\$ 3,133,297	\$ 4,727,520	\$ 127,906,788
3,485,817	4,934,728	5,141,457	144,472,612
3,611,691	6,154,325	6,107,260	158,726,612
4,107,286	6,819,753	6,884,512	171,309,773
6,599,924	8,646,292	5,977,611	191,467,487
7,219,636	9,709,666	8,808,021	210,574,211
9,432,919	9,645,562	8,563,032	267,383,033
9,261,229	8,891,664	8,821,817	286,173,188
9,128,768	10,406,245	10,757,188	292,176,452
9,497,998	10,088,043	10,310,001	296,427,133

CITY OF MESA, ARIZONA

TABLE IV

TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

(BUDGET BASIS)

Fiscal Year	Local Taxes			State-Shared
	City Sales	Residential Development	Transient Occupancy	State Sales Tax
1992-93	\$ 40,060,236	\$ 945,625	\$ 708,776	\$ 18,819,762
1993-94	45,057,728	1,360,000	839,326	20,438,814
1994-95	49,552,128	1,391,541	863,740	22,276,932
1995-96	54,628,326	1,494,716	1,070,807	23,517,987
1996-97	58,291,636	2,001,633	1,410,338	23,865,114
1997-98	62,459,916	2,526,264	1,432,234	25,205,764
1998-99	93,703,124	1,198,740	1,433,267	27,019,295
1999-00	105,742,774		1,469,110	29,699,579
2000-01	102,346,120		1,449,997	30,982,708
2001-02	102,653,504		1,256,894	30,544,828

TABLE IV
(Continued)

State-Shared					
<u>Auto Lieu</u>	<u>Highway User</u>	<u>State Revenue Sharing</u>	<u>Local Transportation Assistance</u>	<u>Total</u>	
\$ 5,199,338	\$ 16,956,333	\$ 18,639,324	\$ 2,585,585	\$ 103,914,979	
6,575,894	18,176,556	18,982,902	2,355,472	113,786,692	
8,187,537	19,210,245	20,950,030	2,458,145	124,890,298	
7,844,779	20,775,156	22,372,784	2,706,545	134,411,100	
9,095,795	26,663,448	25,884,031	2,417,278	149,629,273	
9,651,705	25,392,547	29,329,771	2,380,189	158,378,390	
10,992,825	29,189,770	34,071,819	2,864,021	200,472,861	
12,148,964	29,515,063	37,624,146	3,717,303	219,916,939	
12,775,122	30,233,015	39,494,827	3,516,176	220,797,965	
14,438,894	30,129,033	41,411,715	2,883,460	223,318,328	

CITY OF MESA, ARIZONA

TABLE V
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Fiscal Year	Valuation Bases	Real Estate	Land and Improvements	Secured Personal	Unsecured Personal
1992-93	P	\$	\$ 991,574,275	\$ 36,081,310	\$ 125,419,995
	S	422,124,665	585,091,655	36,081,310	125,419,995
1993-94	P		948,653,151	35,609,455	130,362,260
	S	395,195,151	570,211,751	35,609,455	130,449,780
1994-95	P		944,186,159	37,110,100	141,935,530
	S	388,692,989	574,332,201	37,110,100	141,935,530
1995-96	P		1,036,649,080	36,997,145	87,760,685
	S	374,133,308	728,255,339	36,997,145	87,760,685
1996-97	P		1,218,414,472	38,537,930	84,471,315
	S	444,845,981	819,211,309	38,537,930	86,171,315
1997-98	P		1,329,240,616	44,749,195	90,941,795
	S	455,691,862	957,741,754	44,749,195	92,641,795
1998-99	P		1,401,437,378	46,565,465	100,903,755
	S	466,881,558	1,010,104,135	46,565,465	100,903,755
1999-00	P		1,546,544,160	46,422,675	108,435,565
	S	500,630,730	1,151,833,344	46,422,675	108,435,565
2000-01	P		1,711,200,110	52,228,970	111,466,085
	S	535,927,212	1,304,801,873	52,228,970	111,466,085
2001-02	P		1,930,688,813	52,054,655	123,515,570
	S	613,941,178	1,477,589,824	52,054,655	123,515,570

Note: A.) Real Estate, land and improvements are combined in primary valuation. Property tax legislation approved by voters on 6-3-80 created primary (P) and secondary (S) valuation bases. Primary tax levy is for maintenance and operation of counties, cities, school districts and the state. Secondary tax levy is for debt retirement, voter-approved budget overrides, and maintenance and operation of special-service districts.

B.) Effective with fiscal year 1996-97 the gross valuations are no longer net of exemptions which are now included in the EXEMPTIONS Column.

Source: Arizona Department of Revenue.
Maricopa County Finance Department and Assessors Office.

TABLE V
(Continued)

Utilities, Rails and Wires		Gross Valuations	Exemptions	Net Taxable Valuation	Actual Valuation \$(000)
\$	35,576,415	\$ 1,188,651,995	\$ (1,482,669)	\$ 1,187,169,326	\$ 9,310,440
	35,684,865	1,204,402,490	(1,504,843)	1,202,897,647	9,458,941
	36,549,384	1,151,174,250	(1,497,221)	1,149,677,029	9,185,786
	36,638,447	1,168,104,584	(1,526,388)	1,166,578,196	9,311,914
	42,718,954	1,165,950,743	(1,430,158)	1,164,520,585	9,449,622
	42,803,924	1,184,874,744	(1,433,802)	1,183,440,942	9,587,716
	42,328,024	1,203,734,934	(1,360,826)	1,202,374,108	10,039,924
	42,409,277	1,269,555,754	(1,353,335)	1,268,202,419	10,440,246
	101,406,520	1,442,830,237	(184,063,679)	1,258,766,558	10,546,801
	101,476,643	1,490,243,178	(187,300,639)	1,302,942,539	10,713,292
	98,202,899	1,563,134,505	(174,453,738)	1,388,680,767	11,514,419
	98,337,210	1,649,161,816	(178,347,330)	1,470,814,486	12,108,917
	95,549,240	1,644,455,838	(173,823,153)	1,470,632,685	12,138,527
	95,696,547	1,720,151,460	(178,648,085)	1,541,503,375	12,596,871
	103,606,001	1,805,008,401	(178,746,655)	1,626,261,746	13,343,325
	104,032,643	1,911,354,957	(184,506,143)	1,726,848,814	13,968,089
	102,290,150	1,977,185,315	(181,099,891)	1,796,085,424	14,719,001
	102,521,178	2,106,945,318	(187,029,492)	1,919,915,826	15,618,605
	125,431,673	2,231,690,711	(213,846,833)	2,017,843,878	16,735,665
	125,379,784	2,392,481,011	(249,552,235)	2,142,928,776	17,864,365

CITY OF MESA, ARIZONA

TABLE VI

PROPERTY TAX RATES AND TAX LEVIES-DIRECT
AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

PROPERTY TAX RATES (4)

(Rate on \$100 of Assessed Value)

Fiscal Year	City of Mesa (1)	Mesa Unified #4 (3)	Maricopa Co. Jr. College	Central Arizona Water Conservation
1992-93	None	\$ 6.50	\$ 0.85	\$ 0.14
1993-94	None	6.54	0.85	0.14
1994-95	None	6.42	0.89	0.14
1995-96	None	7.19	1.11	0.14
1996-97	None	7.30	1.05	0.14
1997-98	None	7.64	1.13	0.14
1998-99	None	7.71	1.11	0.14
1999-00	None	7.46	1.13	0.14
2000-01	None	7.55	1.12	0.14
2001-02	None	7.73	1.11	0.13

TOTAL TAX LEVIES (4)

1992-93	None	\$ 92,999,595	\$ 115,902,567	\$ 19,332,340
1993-94	None	90,758,702	113,440,000	18,905,751
1994-95	None	88,874,792	118,841,866	18,929,645
1995-96	None	101,111,455	151,227,097	19,767,209
1996-97	None	105,603,223	146,669,820	20,080,420
1997-98	None	119,495,381	171,402,574	22,012,897
1998-99	None	126,648,227	179,200,267	23,536,796
1999-00	None	134,071,874	227,805,058	26,147,563
2000-01	None	148,611,970	190,777,869	27,141,030
2001-02	None	163,428,971	239,578,569	29,787,075

(1) The City of Mesa has operated without a property tax levy since 1944-45 (fiscal year).

(2) Effective 1980-81, the state levy is an "education" tax.

(3) For those Mesa residents residing within the Tempe, Gilbert, Queen Creek or Higley school districts, the 1998-99 tax rates and levies are as follows:

District Name	Tax Rates (4)	
	District	Total
Tempe	\$ 7.59	\$ 10.98
Gilbert	8.35	11.74
Queen Creek	6.27	9.66
Higley	6.47	9.86

(4) Source: Maricopa County Finance Department and Assessors Office.

(5) Source: State of Arizona-Revenue Department.

(6) Effective 1993-94, the Education Equalization Tax was included as a Special District of Maricopa County.

TABLE VI
(Continued)

East Valley Institute of Technology	Education Equalization/ Flood Control/ Library/Fire/ Hospital District of Maricopa Co. (6)	Maricopa County	State of Arizona (2) (5)	Total
\$ 0.03	\$ 0.44	\$ 1.74	\$ 0.47	\$ 10.17
0.07	0.95	1.24	0.47	10.26
0.06	0.95	1.24	0.47	10.17
0.07	0.94	1.30	0.47	11.22
0.16	0.98	1.26	-0-	10.89
0.12	0.96	1.26	-0-	11.25
0.13	0.97	1.28	-0-	11.34
0.20	0.88	1.30	-0-	11.11
0.12	0.82	1.28	-0-	11.03
0.11	0.75	1.29	-0-	11.12
\$ 1,586,673	\$ 46,309,491	\$ 237,675,467	\$ 101,202,987	\$ 615,009,120
3,595,963	112,647,915	165,608,469	100,517,273	605,474,073
2,863,873	112,906,648	165,293,694	101,934,235	609,644,753
3,842,930	111,324,533	176,928,335	103,934,755	668,136,314
9,352,044	120,668,631	177,077,508	-0-	579,451,646
7,947,529	130,806,742	190,492,490	-0-	642,157,613
9,376,842	139,522,084	205,808,750	-0-	684,092,966
16,517,094	145,633,655	227,805,058	-0-	777,980,302
10,941,873	154,296,078	249,447,642	-0-	781,216,462
11,456,358	163,276,604	272,748,129	-0-	880,275,706

District Name	Tax Levies (4)	
	District	Total
Tempe	\$ 129,639,594	\$ 846,486,329
Gilbert	73,191,606	790,038,341
Queen Creek	4,726,388	721,573,123
Higley	3,798,905	720,645,640

CITY OF MESA, ARIZONA

TABLE VII

2001-2002 PROPERTY TAX LEVIES

APPLICABLE TO MESA PROPERTY OWNERS

CITY, COUNTY AND STATE SCHOOLS

(Rate Based on \$100 of Assessed Value)

	Valuation Bases*	Assessed Valuations			Rate (1)	Mesa Proportionate Tax Levy
		Total (1)	Percent (1)	Amount (1)		
Unified School Districts:						
Mesa No. 4	P	\$ 2,239,412,203	80.74 %	\$ 1,808,101,413	\$ 5.30	\$ 95,829,375
	S	2,345,979,479	81.68	1,916,196,038	2.49	47,713,281
Gilbert No. 41	P	914,889,096	19.92	182,245,908	4.68	8,529,108
	S	957,897,910	20.72	198,476,447	3.67	7,284,086
Queen Creek No. 95	P	73,474,799	25.41	18,669,946	4.73	883,088
	S	87,213,239	21.78	18,995,043	1.54	292,524
Total Unified School Districts:	P	3,227,776,098				105,241,571
	S	3,391,090,628				55,289,891
Higley Elementary School	P	78,395,932	1.25	979,949	5.58	54,681
District No. 60	S	93,568,825	1.34	1,253,822	0.89	11,159
Tempe Union High School	P	2,599,550,659	0.28	7,278,742	2.19	159,404
District No. 213	S	2,747,119,796	0.28	7,691,935	1.13	86,919
Tempe Elementary School	P	1,215,071,955	0.61	7,411,939	3.32	246,076
District No. 3	S	1,293,942,543	0.59	7,634,261	0.95	72,525
Maricopa County Community	P	22,955,864,882	8.79	2,017,820,523	0.96	19,371,077
College District	S	24,457,047,282	8.76	2,142,437,342	0.15	3,213,656
East Valley Institute of Technology	P	10,225,502,945	19.73	2,017,491,731	0.05	1,008,746
	S	10,225,502,945	20.96	2,143,265,417	0.06	1,285,959
Education Equalization	P	22,955,864,882	8.79	2,017,820,523	0.49	9,887,321
Total All Schools	P	63,258,027,353				135,968,876
	S	42,208,272,019				59,960,109
Central Arizona Water						
Conservation	S	24,465,394,068	8.76	2,143,168,520	0.13	2,786,119
Flood Control	S	21,174,168,674	10.12	2,142,825,870	0.21	4,499,934
Maricopa County Library District	S	24,457,047,282	8.76	2,142,437,342	0.04	856,975
Maricopa County Fire District	S	24,465,394,068	8.76	2,143,168,520	0.01	214,317
Maricopa County	P	22,955,864,882	8.79	2,017,820,523	1.21	24,415,628
	S	24,457,047,282	8.76	2,142,437,342	0.08	1,713,950
State of Arizona	P	32,528,810,651	6.20	2,016,786,260	None	-0-
	S	34,473,431,125	6.22	2,144,247,416	None	-0-
City of Mesa	P	2,017,843,878	100.00	2,017,843,878	None	-0-
	S	2,142,928,776	100.00	2,142,928,776	None	-0-
Total Levies Applicable to Mesa	P					160,384,504
	S					70,031,404
Total All Levies						\$ 230,415,908

*P - Primary.

S - Secondary.

(1) Source: Maricopa County Finance Department and Assessors Office.

CITY OF MESA, ARIZONA

TABLE VIII

SPECIAL ASSESSMENT COLLECTIONS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Current Assessments</u>			<u>Ratio of Collections to Amount Due (1)</u>	<u>Total Outstanding Current and Delinquent Assessments</u>
	<u>Due (1)</u>	<u>Collected (1)</u>	<u>Delinquent (1)</u>		
1992-93	\$ 954,819	\$ 917,041	\$ 37,778	96.0	\$ 3,714,428
1993-94	879,844	835,012	44,832	94.9	3,880,305
1994-95	822,665	808,343	14,322	98.3	3,299,686
1995-96	733,714	733,711	3	99.9	2,842,520
1996-97	745,560	745,560	-0-	100.0	2,307,885
1997-98	648,140	648,140	-0-	100.0	1,827,642
1998-99	776,177	776,177	-0-	100.0	1,197,687
1999-00	596,317	596,317	-0-	100.0	759,873
2000-01	583,458	583,458	-0-	100.0	212,804
2001-02	79,036	79,036	-0-	100.0	144,417

(1) Interest payments are due on June 1st and December 1st of each year. The principal portion is due on December 1st. All assessments are paid when due or sold to independent bidders.

CITY OF MESA, ARIZONA

TABLE IX

RATIO OF NET GENERAL BONDED DEBT (1)
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Fiscal Year	Population (2)(4)	Secondary Assessed Value (3)	Gross Bonded Debt	Less Current Portion	Net Bonded Debt	Percent of Net Bonded Debt To Secondary Assessed Value	Net Bonded Debt Per Capita
1992-93	310,000	\$ 1,202,897,647	265,805,000	9,005,000	256,800,000	21.3	\$ 828
1993-94	324,081	1,166,578,196	256,800,000	13,735,000	243,065,000	20.8	750
1994-95	338,117	1,183,440,942	243,065,000	14,665,000	228,400,000	19.3	676
Census							
1995-96	344,880	1,268,202,419	248,460,000	13,075,000	235,385,000	18.6	683
1996-97	352,566	1,302,942,539	259,385,000	16,065,000	243,320,000	18.7	690
1997-98	370,037	1,470,814,456	254,990,000	28,795,000	226,195,000	15.4	611
1998-99	389,860	1,541,503,375	226,195,000	32,090,000	194,105,000	12.6	498
Census							
1999-00	396,375	1,726,848,814	232,605,000	33,615,000	198,990,000	11.5	502
2000-01	420,525	1,919,915,826	235,490,000	16,765,000	218,725,000	11.4	520
2001-02	431,874	2,142,980,665	231,025,000	26,645,000	204,380,000	9.5	473

Note: (1) General Obligation debt has been supported through non-property tax revenues since the 1944-45 fiscal year.

The City of Mesa has operated without a property tax levy since that time.

(2) Population figures are based on estimates by the City Planning Department (water meters factored).

(3) Maricopa County Finance Department and Assessor's Office.

(4) U. S. Census Bureau.

CITY OF MESA, ARIZONA

TABLE X

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

AND ASSESSED VALUATION (1)

JUNE 30, 2002

<u>Overlapping Municipality</u>	2001-02	Net Bonded	Proportion Applicable	
	Secondary Assessed Valuation (2)		to the City of Mesa	
		Debt (3)	Percent (2)	Amount
Direct:				
City of Mesa	\$ 2,142,928,776	\$ 204,380,000	100.00 %	\$ 204,380,000
Overlapping:				
State of Arizona	34,473,431,125	-0-	6.22	-0-
Maricopa County	24,457,047,282	39,515,000	8.76	3,461,514
Maricopa County Community College District	24,457,047,282	210,710,000	8.76	18,458,196
Central Arizona Water Conservation District	24,465,394,068	-0-	8.76	-0-
Flood Control District of Maricopa County	21,174,168,674	-0-	10.12	-0-
Maricopa County Fire District	24,465,394,068	-0-	8.76	-0-
Maricopa County Library District	24,457,047,282	-0-	8.76	-0-
Mesa Unified School District No. 4	2,345,979,479	250,210,000	81.68	204,371,528
Gilbert Unified School District	957,897,910	73,115,000	20.72	15,149,428
Queen Creek Unified School District No. 95	87,213,239	16,440,000	21.78	3,580,632
Higley Elementary School District No. 60	93,568,825	200,000	1.34	2,680
Tempe Union High School District No. 213	2,747,119,796	202,585,000	0.28	567,238
Tempe Elementary School District No. 3	1,293,942,543	71,100,000	0.59	419,490
East Valley Institute of Technology				
District No. 401	10,225,502,945	<u>17,720,000</u>	20.96	<u>3,714,112</u>
Total Overlapping				<u>249,724,818</u>
Total Direct and Overlapping G. O. Debt		<u>\$ 1,085,975,000</u>		<u>\$ 454,104,818</u>

(1) Includes total General Obligation Bonds outstanding, less redemption funds on hand. Does not include Salt River Project Agricultural Improvement and Power District debt, which is considered self-supporting from earnings of the district or special assessment debt of the City of Mesa, which is considered a junior lien.

Source:

(2) Maricopa County Finance Department and Assessor's Office.

(3) L. S. Given & Company

CITY OF MESA, ARIZONA

TABLE XI

PRINCIPAL REQUIREMENTS TO MATURITY

GENERAL OBLIGATION BONDS

FISCAL YEARS JULY 1, 2002 THROUGH JUNE 30, 2020

AS OF JUNE 30, 2002

Fiscal Year	General Purpose 6%	Storm Sewer, Wastewater, Water and Parks 20%	Total
July 1, 2002	\$ 11,395,000	\$ 15,250,000	\$ 26,645,000
2002-03	4,665,000	20,735,000	25,400,000
2003-04	555,000		555,000
2004-05	580,000		580,000
2005-06	620,000		620,000
2006-07	660,000		660,000
2007-08	7,390,000	9,550,000	16,940,000
2008-09	24,215,000		24,215,000
2009-10	11,008,000	12,037,000	23,045,000
2010-11	4,575,000	11,235,000	15,810,000
2011-12	5,000,000	1,030,000	6,030,000
2012-13	5,000,000	1,260,000	6,260,000
2013-14	5,500,000	1,340,000	6,840,000
2014-15	5,225,000	1,945,000	7,170,000
2015-16	1,725,000	5,780,000	7,505,000
2016-17		11,250,000	11,250,000
2017-18	11,527,000	30,223,000	41,750,000
2018-19		7,000,000	7,000,000
2019-20		2,750,000	2,750,000
	99,640,000	131,385,000	231,025,000
Less: Cash Provided for Current Maturities	(11,395,000)	(15,250,000)	(26,645,000)
Total	\$ 88,245,000	116,135,000	204,380,000

CITY OF MESA, ARIZONA

TABLE XIICOMPUTATION OF LEGAL DEBT MARGIN
GENERAL OBLIGATION BONDS

	June 30, 2002		July 1, 2002	
	2001 Valuation		2002 Valuation	
Secondary Assessed Valuation	\$ 2,142,980,665		\$ 2,272,244,883	
	6% Bonds (1)	20% Bonds (2)	6% Bonds (1)	20% Bonds (2)
Legal Debt Limitation	\$ 128,578,840	\$ 428,596,133	\$ 136,334,693	\$ 454,448,977
Deduct Bonds Outstanding	<u>99,640,000</u>	<u>131,385,000</u>	<u>88,245,000</u>	<u>116,135,000</u>
	28,938,840	297,211,133	48,089,693	338,313,977
Add Cash With Fiscal Agent	<u>11,395,000</u>	<u>15,250,000</u>		
Margin Available For Future General Obligation Bond Issues	\$ <u>40,333,840</u>	\$ <u>312,461,133</u>	\$ <u>48,089,693</u>	\$ <u>338,313,977</u>
Total Margin Available		\$ <u>352,794,973</u>		\$ <u>386,403,670</u>

(1) Under Arizona law, cities can issue General Obligation Bonds for all purposes other than those listed in Note 2 below, up to an amount not exceeding six percent of assessed valuation.

(2) Under Arizona law, cities can issue General Obligation Bonds for purposes of water, wastewater, artificial light, open space preserves, parks playgrounds and recreational facilities up to an amount not exceeding 20 percent of assessed valuation.

CITY OF MESA, ARIZONA

TABLE XIIIRATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures (1)</u>	<u>Percent of Debt Service to General Expenditures</u>
1992-93	\$ 9,005,000	\$ 13,347,516	\$ 22,352,516	\$ 154,395,798	14.48
1993-94	13,735,000	14,234,027	27,969,027	174,454,795	16.03
1994-95	14,665,000	13,317,025	27,982,025	196,269,026	14.26
1995-96	13,075,000	15,533,423	28,608,423	216,335,916	13.22
1996-97	16,065,000	13,314,366	29,379,366	244,401,154	12.02
1997-98	28,795,000	13,077,826	41,872,826	266,123,843	15.73
1998-99	32,090,000	12,113,585	44,203,585	307,388,384	14.38
1999-00	33,615,000	11,622,688	45,237,688	355,125,096	12.74
2000-01	25,737,335	19,969,127	45,706,462	369,152,013	12.38
2001-02	26,645,000	11,263,294	37,908,294	400,124,694	9.47

(1) Includes General, Special Revenue, General Government Capital Projects and Internal Service Funds (budget basis).

CITY OF MESA, ARIZONA

TABLE XIV

SCHEDULE OF REVENUE BOND COVERAGE

ELECTRIC, GAS, WATER, WASTEWATER AND SOLID WASTE SYSTEMS

LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues	Operating & Maintenance Expenses	Net Revenue Available For Debt Services	Debt Principal	Interest	Requirements Total	Coverage Ratio
1992-93	\$ 117,218,194	\$ 65,870,428	\$ 51,347,766	\$ 9,625,000	\$ 5,633,750	\$ 15,258,750	3.37
1993-94	129,948,964	67,751,165	62,197,799	10,375,000	4,815,625	15,190,625	4.09
1994-95	135,582,043	75,472,481	60,109,562	11,125,000	3,933,750	15,058,750	3.99
1995-96	143,233,971	79,735,161	63,498,810	11,775,000	4,128,597	15,903,597	3.99
1996-97	150,773,530	81,023,398	69,750,132	12,425,000	5,657,908	18,082,908	3.86
1997-98	160,236,385	86,055,301	74,181,084	-0-	9,666,397	9,666,397	7.67
1998-99	170,797,468	90,726,189	80,071,279	-0-	11,669,338	11,669,338	6.86
1999-00	180,511,989	94,145,472	86,366,517	175,000	11,669,338	11,844,338	7.29
2000-01	216,076,014	119,388,399	96,687,615	200,000	14,050,528	14,250,528	6.78
2001-02	202,490,622	101,700,689	100,789,933	4,650,000	16,301,351	20,951,351	4.81

CITY OF MESA, ARIZONA

TABLE XV

DEMOGRAPHIC STATISTICS

Fiscal Year	Population (4)(5)	Median Household Income (1)(6)(7)	Median Age (1)(4)(5)(6)(7)	Public School Enrollment (3)	Unemployment Rate (2)
1992-93	310,000	\$ 30,800	39.8	64,771	3.9 %
1993-94	324,081	31,292	33.1	66,711	4.3
1994-95	338,117	30,863	34.0	67,817	3.5
Census					
1995-96	344,880	31,706	34.4	69,207	3.1
1996-97	352,566	32,552	34.0	69,109	2.5
1997-98	370,037	32,842	34.6	69,228	2.1
1998-99	389,860	N/A	34.5	70,241	2.4
Census					
1999-00	396,375	42,817	32.0	71,813	2.3
2000-01	420,525	N/A	N/A	72,476	3.1
2001-02	431,874	N/A	N/A	72,707	4.7

(1) Inside Phoenix (not available after fiscal year 1992-93).

(2) Department of Economic Security.

(3) Mesa Public Schools.

(4) City of Mesa Development Services Department estimate.

(5) U. S. Census Bureau.

(6) Demographic area is Mesa and Apache Junction starting fiscal year 1993 and Maricopa County for fiscal years 1991 and 1992. For prior years, the area included Mesa, Apache Junction, Chandler, Gilbert, Lehi and a portion of Tempe.

(7) AZ Dept. of Economic Security starting fiscal year 1993-94. Data is not available for Mesa, accordingly, data for the State of Arizona was used.

CITY OF MESA, ARIZONA

TABLE XVIBUILDING PERMITS, CONSTRUCTION,
PROPERTY VALUE AND BANK DEPOSITS

Fiscal Year	Commercial Construction (1)		Residential Construction (1)		Assessed Property Value (2)	Maricopa County Bank Deposits (000) (3)
	Number of Permits	Value	Number of Permits	Value		
1992-93	1,578	\$ 92,571,310	2,219	\$ 241,123,896	\$ 1,202,897,647	\$ 19,249,644
1993-94	1,455	125,021,865	2,903	352,997,612	1,166,578,196	20,598,522
1994-95	1,609	158,349,827	2,139	317,423,011	1,183,440,942	20,753,634
1995-96	1,757	239,128,350	2,638	328,052,091	1,268,202,419	21,124,505
1996-97	2,114	216,583,883	2,351	379,711,101	1,302,942,539	20,998,441
1997-98	2,338	231,604,628	3,802	491,973,079	1,470,814,456	20,568,058
1998-99	2,375	277,824,910	5,193	795,405,548	1,541,503,375	24,529,547
1999-00	2,524	367,086,823	5,102	715,647,738	1,726,848,814	26,490,225
2000-01	2,189	233,646,364	4,307	641,923,031	1,919,915,826	28,379,815
2001-02	1,933	309,965,037	2,936	414,082,906	2,142,980,665	29,293,209

Source: (1) Monthly Building Permit Report.

(2) Maricopa County Assessor.

(3) Arizona Banker's Association.

MISCELLANEOUS STATISTICAL DATA

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TABLE XVII (Continued)

Age Distribution of Population (1):

Age		2000	1990	1980	1970	1960	1950
Under 5		32,592	24,974	14,173	5,957	4,229	2,295
5-9		30,259	24,064	12,603	6,446	4,147	1,843
10-14		28,842	21,572	11,882	6,997	3,723	1,594
15-19		28,774	19,749	12,414	6,151	2,736	1,381
20-24		32,488	23,073	15,622	5,195	1,943	1,228
25-34		61,551	54,798	28,459	7,704	3,919	2,529
35-44		56,124	40,623	15,768	6,528	4,289	2,133
45-54		43,807	24,706	11,852	6,459	3,244	1,500
55-59		15,913	9,054	6,315	2,539	1,258	604
60-64		13,149	9,975	6,298	2,322	1,245	515
65-74		26,546	20,904	10,842	4,150	2,069	847
Over 74		26,330	14,599	6,225	2,405	970	321
Median Age		32.0	30.3	28.1	25.8	25.3	25.2
Median Household Income		\$42,817	\$30,273	\$17,840	\$9,633	\$6,316	\$2,461
Income Level (household):							
Not Reported							245
Under \$10,000		8,758	11,934	13,254	8,636	7,312	4,480
\$10,000-\$14,999		8,104	9,397	9,104	4,830	713	
\$15,000-\$24,999		19,061	21,789	15,902	2,393	190	130
\$25,000 and Over		110,777	64,597	15,923	529	158	
Total Households		146,700	107,717	54,183	16,388	8,373	4,855
Retail Sales:	1993	\$ 2,763,521,944					
	1994	3,344,008,816					
	1995	3,732,012,280					
	1996	4,063,745,052					
	1997	4,300,766,070					
	1998	4,546,344,338					
	1999	4,764,059,300					
	2000	4,901,366,412					
	2001	4,534,561,975					
	2002	4,514,746,616					
City Employees:	Merit System	3,550.0					
	Exempt*	282.2					
	Full-Time Equivalent Total	3,832.2					
Population (1):	1900 (Census)	722					
	1910 (Census)	1,692					
	1920 (Census)	3,036					
	1930 (Census)	3,711					
	1940 (Census)	7,224					
	1950 (Census)	16,790					
	1960 (Census)	33,772					
	1970 (Census)	62,853					
	1980 (Census)	152,453					
	1990 (Census)	288,091					
	2000 (Census)	396,375					

*City officers (48) Full-time equivalent of part-time (234.2).

(1) Source: U.S. Census Bureau.